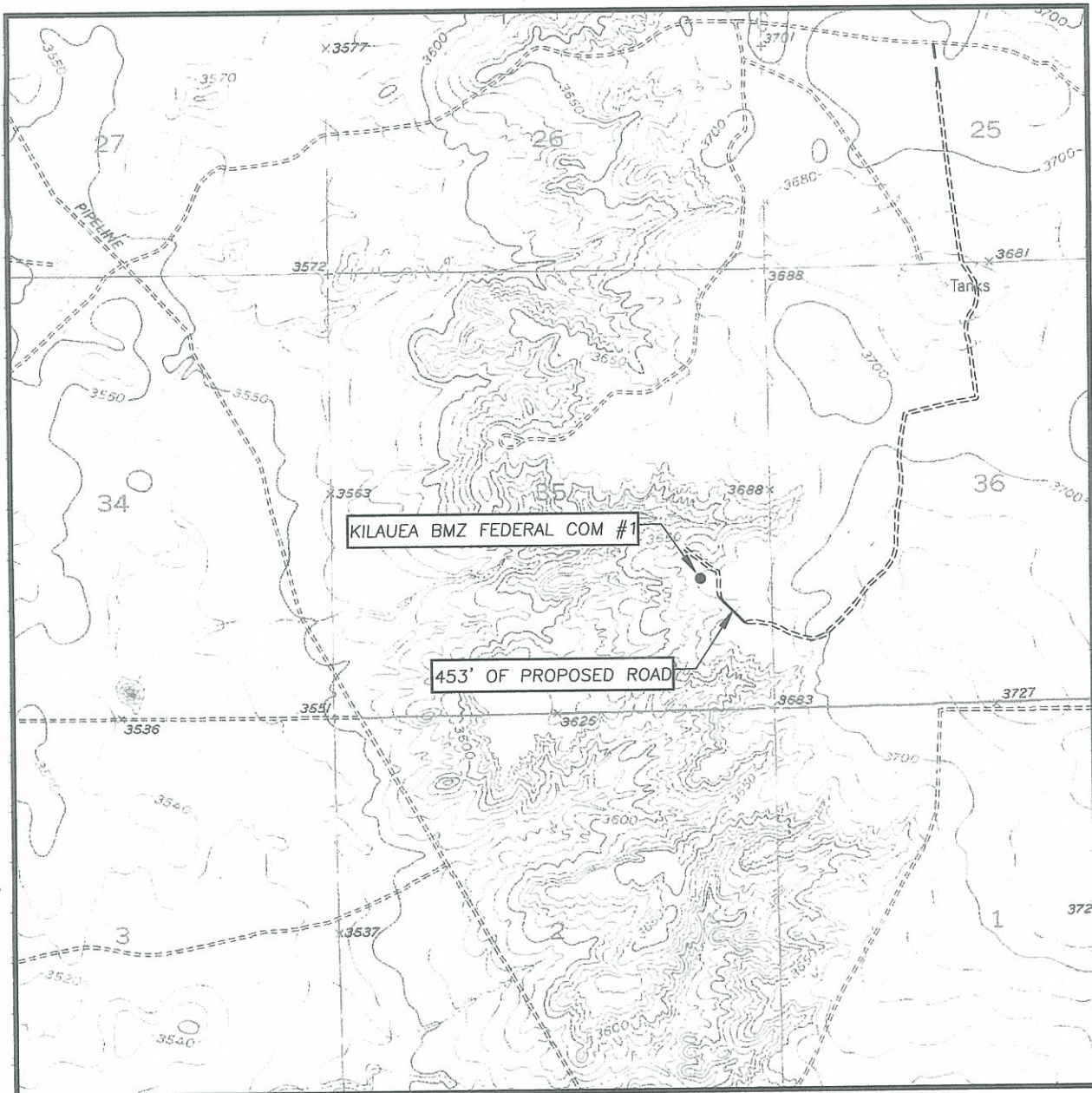


# LOCATION VERIFICATION MAP



SCALE: 1" = 2000'

CONTOUR INTERVAL:  
BAR C BAR RANCH, N.M. - 10'

SEC. 35 TWP. 12-S RGE. 27-E

SURVEY N.M.P.M.

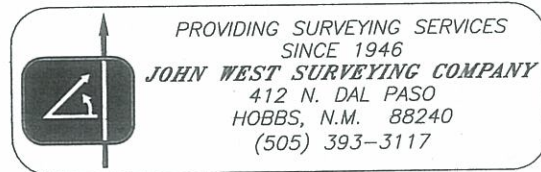
COUNTY CHAVES STATE NEW MEXICO

DESCRIPTION 1550' FSL & 860' FEL

ELEVATION 3681'

OPERATOR YATES PETROLEUM CORPORATION  
LEASE KILAUEA BMZ FEDERAL COM #1

U.S.G.S. TOPOGRAPHIC MAP  
BAR C BAR RANCH, N.M.



Kilauea BMZ Federal Com #1  
1550' FSL and 860' FEL, Unit I  
Section 35, T12S-R27E  
Chaves County, New Mexico  
Exhibit "A-2"

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT

FORM APPROVED  
OMB No. 1004-0135  
Expires November 30, 2000

SUNDRY NOTICES AND REPORTS ON WELLS

*Do not use this form for proposals to drill or reenter an abandoned well. Use Form 3160-3 (APD) for such proposals.*

**SUBMIT IN TRIPLICATE – Other instructions on reverse side**

1. Type of Well <input type="checkbox"/> Oil Well <input checked="" type="checkbox"/> Gas Well <input type="checkbox"/> Other		5. Lease Serial No. NM-120348
2. Name of Operator <b>Yates Petroleum Corporation</b>		6. If Indian, Allottee or Tribe Name
3a. Address <b>105 South Fourth Street, Artesia, NM 88210</b>	3b. Phone No. (include area code) <b>575-748-1471</b>	7. If Unit or CA/Agreement, Name and/o
4. Location of Well (Footage, Sec., T., R., M., or Survey Description) <b>1550' FSL and 860' FEL, Unit I (NESE) Section 35, T12S-R27E</b>		8. Well Name and No. Kilauea BMZ Federal Com. #1
		9. API Well No.
		10. Field and Pool, or Exploratory Area Siluro-Devonian
		11. County or Parish, State Chaves County, New Mexico

12. CHECK APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION			
<input checked="" type="checkbox"/> Notice of Intent	<input type="checkbox"/> Acidize	<input type="checkbox"/> Deepen	<input type="checkbox"/> Production (Start/Resume)	<input type="checkbox"/> Water Shut-Off
<input type="checkbox"/> Subsequent Report	<input type="checkbox"/> Alter Casing	<input type="checkbox"/> Fracture Treat	<input type="checkbox"/> Reclamation	<input type="checkbox"/> Well Integrity
<input type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Casing Repair	<input type="checkbox"/> New Construction	<input type="checkbox"/> Recomplete	<input checked="" type="checkbox"/> Other
	<input type="checkbox"/> Change Plans	<input type="checkbox"/> Plug and Abandon	<input type="checkbox"/> Temporarily Abandon	Change of
	<input type="checkbox"/> Convert to Injection	<input type="checkbox"/> Plug Back	<input type="checkbox"/> Water Disposal	Surface Use Plan

13. Describe Proposed or Completed Operations (clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recompleat horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BIA. Required subsequent reports shall be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompleat in a new interval, a Form 3160-4 shall be filed once Testing has been completed. Final Abandonment Notices shall be filed only after all requirements, including reclamation, have been completed, and the operator has determined that the site is ready for final inspection.)

Yates Petroleum Corporation requests permission to change the surface use plan previously submitted via Application for Permit to Drill on 10/06/2008.

Please note: Location Layout - Exhibit C and C-1 corrected

Also note: Additonal road plats exhibit A-2 thru A-6.

**Accepted for Record**

By: John A. Caffall Date: 12/19/08

14. I hereby certify that the foregoing is true and correct	
Name (Printed/Typed) Debbie L. Caffall	Title Regulatory Agent - debbiec@ypcnm.com
Signature <u>Debbie L. Caffall</u>	Date October 13, 2008

THIS SPACE FOR FEDERAL OR STATE USE

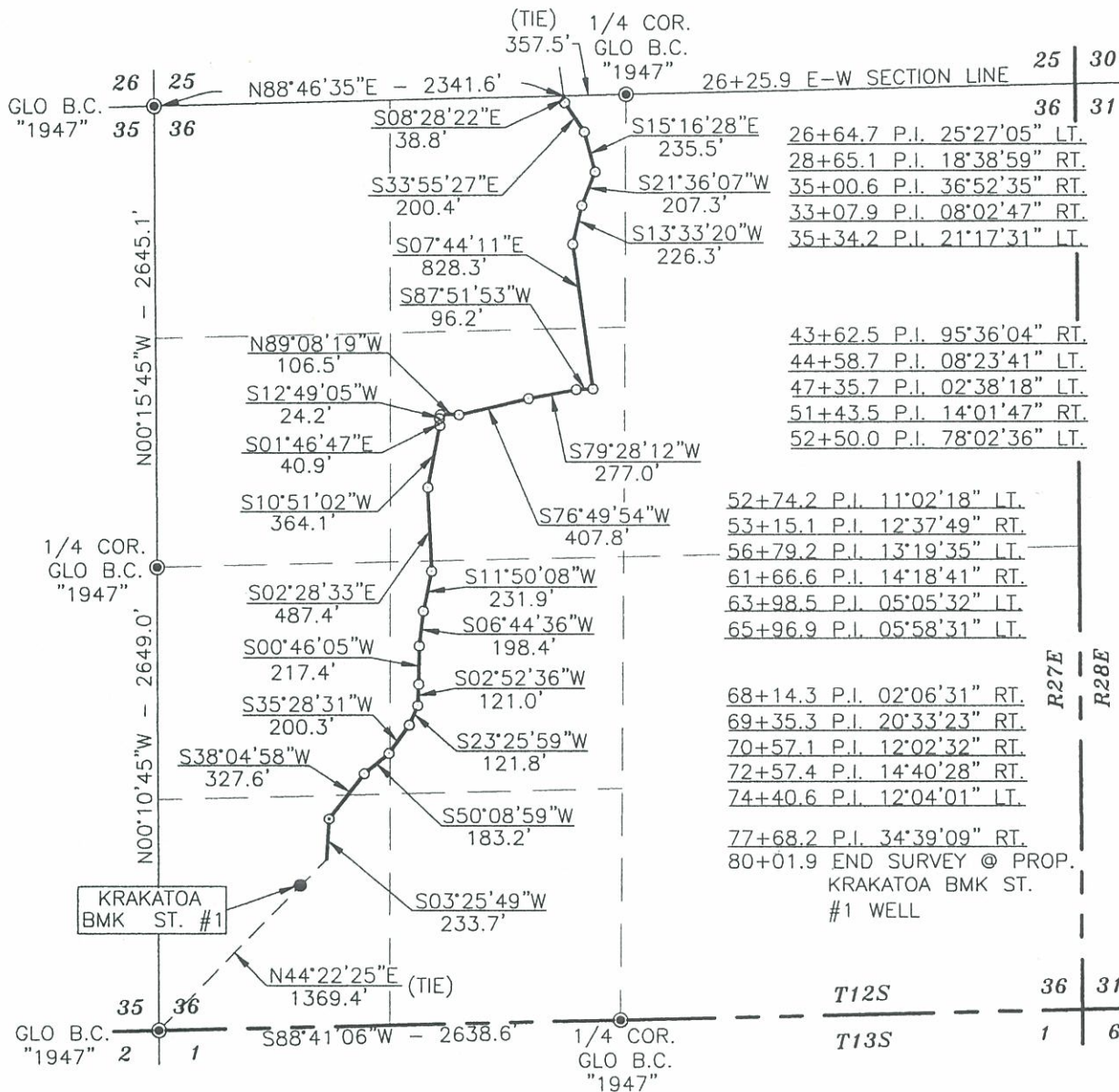
Approved by	Title Assistant Field Manager, Lands And Minerals	Date
Conditions of approval, if any, are attached. Approval of this notice does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.	Office ROSWELL FIELD OFFICE	

Title 18 U.S.C. Section 1001, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

(Instructions on reverse)

Survey Date: 7/3/08	Sheet 1 of 1 Sheets
W.O. Number: 08.11.1109	Drawn By: LA
Date: 7/16/08	08111109_ROAD

SECTION 36, TOWNSHIP 12 SOUTH, RANGE 27 EAST, N.M.P.M.,  
CHAVES COUNTY, NEW MEXICO.



DESCRIPTION

A STRIP OF LAND 30.0 FEET WIDE CROSSING STATE OF NEW MEXICO LAND IN SECTION 36, TOWNSHIP 12 SOUTH, RANGE 27 EAST, NMPM, CHAVES COUNTY, NEW MEXICO AND BEING 15.0 FEET RIGHT AND 15.0 FEET LEFT OF THE FOLLOWING DESCRIBED CENTERLINE SURVEY:

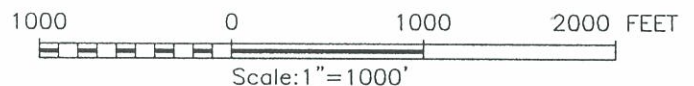
BEGINNING AT A POINT ON THE NORTH LINE OF SAID SECTION, WHICH LIES S88°46'35"W 357.5 FEET FROM THE NORTH QUARTER CORNER OF SAID SECTION; THEN S08°28'22"E 38.8 FEET; THEN S33°55'27"E 200.4 FEET; THEN S15°16'28"E 235.5 FEET; THEN S21°36'07" 207.3 FEET; THEN S13°33'20"W 226.3 FEET; THEN S07°44'11"E 828.3 FEET; THEN S87°51'53"W 96.2 FEET; THEN S79°28'12"W 277.0 FEET; THEN S76°49'54"W 407.8 FEET; THEN N89°08'19"W 106.5 FEET; THEN S12°49'05"W 24.2 FEET; THEN S01°46'47"E 40.9 FEET; THEN S10°51'02"W 364.1 FEET; THEN S02°28'33"E 487.4 FEET; THEN S11°50'08"W 231.9 FEET; THEN S06°44'36"W 198.4 FEET; THEN S00°46'05"W 217.4 FEET; THEN S02°52'36"W 121.0 FEET; THEN S23°25'59"W 121.8 FEET; THEN S35°28'31"W 200.3 FEET; THEN S50°08'59"W 183.2 FEET; THEN S38°04'58"W 327.6 FEET; THEN S03°25'49"W 233.7 FEET TO A POINT IN THE SOUTHWEST QUARTER OF THE SOUTHWEST QUARTER OF SAID SECTION, WHICH LIES N44°22'25"W 1369.4 FEET FROM THE SOUTHWEST CORNER OF SAID SECTION.

SAID STRIP OF LAND BEING 5376.0 FEET OR 325.82 RODS IN LENGTH, CONTAINING 3.702 ACRES MORE OR LESS AND BEING ALLOCATED BY FORTIES AS FOLLOWS:

NE/4 NW/4	84.10 RODS OR 0.956 ACRES
SE/4 NW/4	126.90 RODS OR 1.442 ACRES
NW/4 SW/4	68.88 RODS OR 0.782 ACRES
NW/4 SW/4	21.22 RODS OR 0.241 ACRES
SW/4 SW/4	24.68 RODS OR 0.281 ACRES

NOTE: BEARINGS SHOWN HEREON ARE  
MERCATOR GRID AND CONFORM TO THE  
NEW MEXICO COORDINATE SYSTEM "NEW  
MEXICO EAST ZONE" NORTH AMERICAN  
DATUM 1983. DISTANCES ARE SURFACE  
VALUES.

I HEREBY CERTIFY THAT I DIRECTED AND AM  
RESPONSIBLE FOR THIS SURVEY, THAT THIS SURVEY IS  
TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE  
AND BELIEF, AND THAT THIS SURVEY AND PLAT MEET  
THE MINIMUM STANDARDS FOR SURVEYING IN NEW MEXICO.



*Ronald J. Edson*  
RONALD J. EDSON N.M. R.S. No. 3239

PROVIDING SURVEYING SERVICES  
SINCE 1946  
**JOHN WEST SURVEYING COMPANY**  
412 N. DAL PASO  
HOBBS, N.M. 88240  
(505) 393-3117

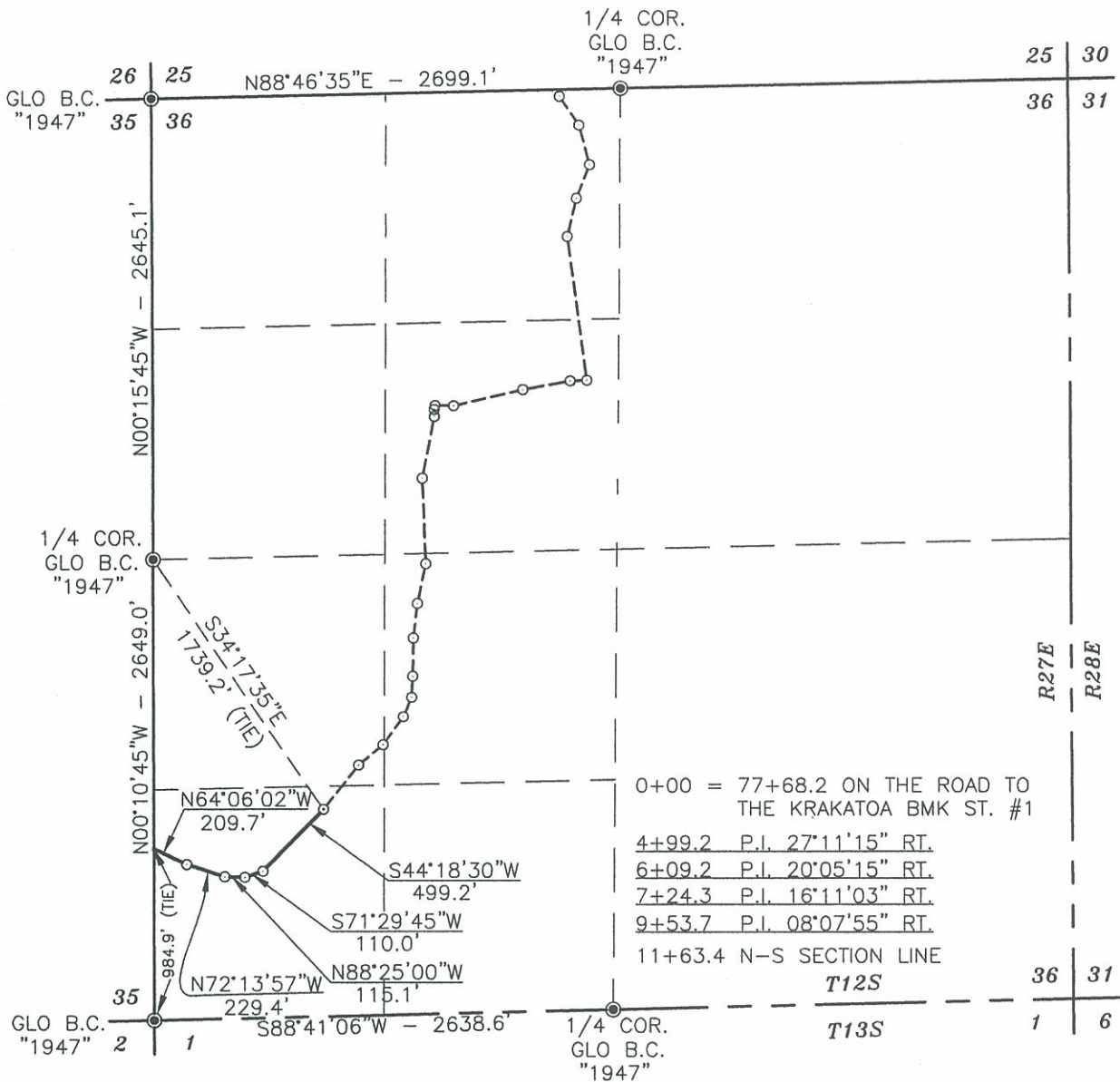
YATES PETROLEUM CORPORATION

SURVEY OF AN EXISTING ROAD CROSSING  
SECTION 36, TOWNSHIP 12 SOUTH, RANGE 27 EAST,  
N.M.P.M., CHAVES COUNTY, NEW MEXICO

Survey Date: 7/3/08	Sheet 1 of 1 Sheets
W.O. Number: 08.11.1109	Drawn By: LA
Date: 7/16/08	08111109_ROAD

Kilauea BMZ Federal Com #1  
1550' FSL and 860' FEL, Unit I  
Section 35, T12S-R27E  
Chaves County, New Mexico  
Exhibit "A-4"

SECTION 36, TOWNSHIP 12 SOUTH, RANGE 27 EAST, N.M.P.M.,  
CHAVES COUNTY, NEW MEXICO.



DESCRIPTION

A STRIP OF LAND 20.0 FEET WIDE CROSSING STATE OF NEW MEXICO LAND IN SECTION 36, TOWNSHIP 12 SOUTH, RANGE 27 EAST, NMPM, CHAVES COUNTY, NEW MEXICO AND BEING 10.0 FEET RIGHT AND 10.0 FEET LEFT OF THE FOLLOWING DESCRIBED CENTERLINE SURVEY:

BEGINNING AT A POINT IN THE SOUTHWEST QUARTER OF THE SOUTHWEST QUARTER, WHICH LIES S34°17'35\"/>

SAID STRIP OF LAND BEING 1163.4 FEET OR 70.51 RODS IN LENGTH, CONTAINING 0.534 ACRES MORE OR LESS AND ALL BEING IN THE SOUTHWEST QUARTER OF THE SOUTHWEST QUARTER.

Kilauea BMZ Federal Com #1  
1550' FSL and 860' FEL, Unit I  
Section 35, T12S-R27E  
Chaves County, New Mexico  
Exhibit "A-5"

NOTE: BEARINGS SHOWN HEREON ARE  
MERCATOR GRID AND CONFORM TO THE  
NEW MEXICO COORDINATE SYSTEM "NEW  
MEXICO EAST ZONE" NORTH AMERICAN  
DATUM 1983. DISTANCES ARE SURFACE  
VALUES.

I HEREBY CERTIFY THAT I DIRECTED AND AM  
RESPONSIBLE FOR THIS SURVEY. THAT THIS SURVEY IS  
TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE  
AND BELIEF, AND THAT THIS SURVEY AND PLAT MEET  
THE MINIMUM STANDARDS FOR SURVEYING IN NEW MEXICO.

1000 0 1000 2000 FEET  
Scale: 1"=1000'

YATES PETROLEUM CORPORATION

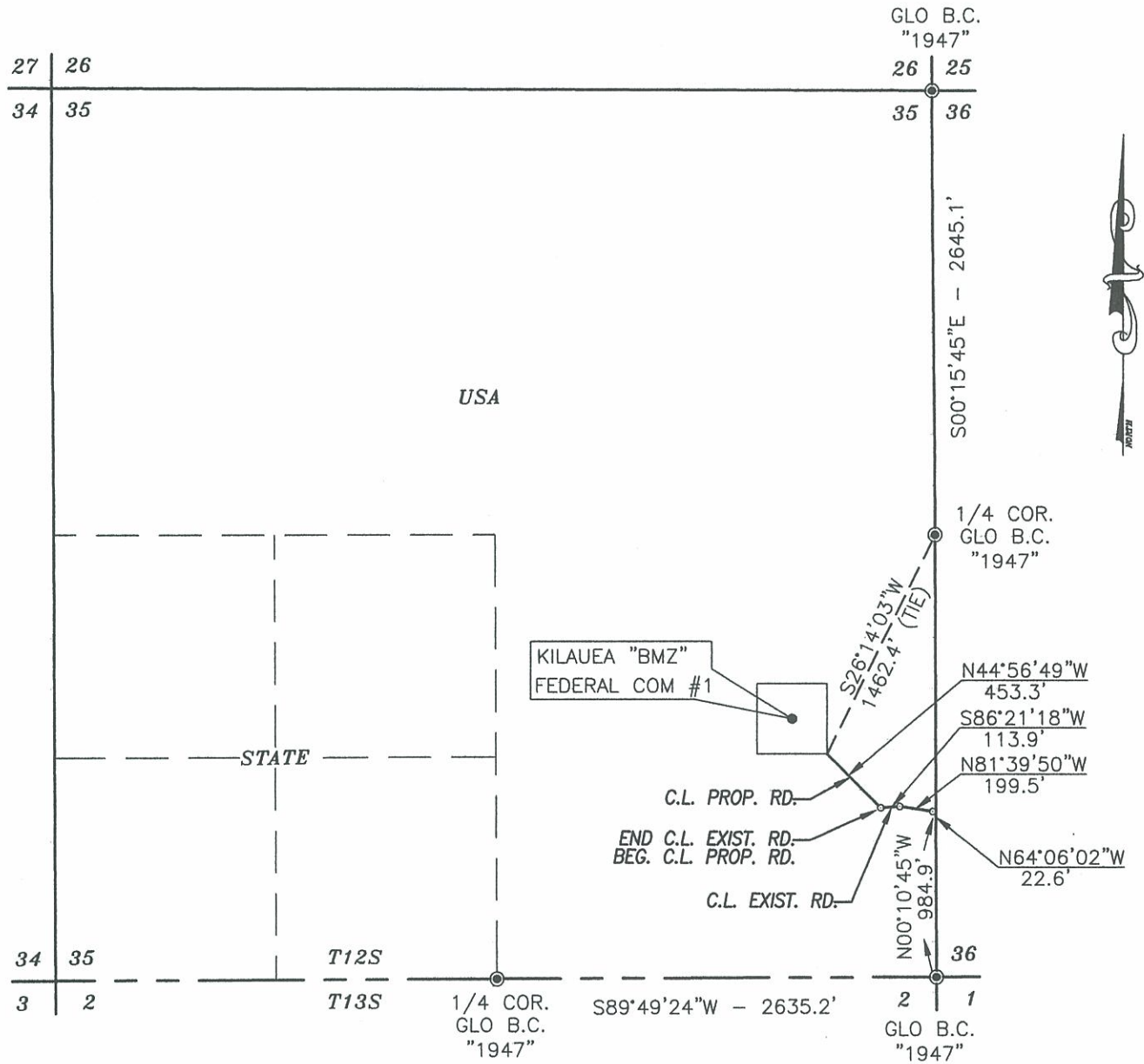
SURVEY OF AN EXISTING TWO TRACK ROAD CROSSING  
SECTION 36, TOWNSHIP 12 SOUTH, RANGE 27 EAST,  
N.M.P.M., CHAVES COUNTY, NEW MEXICO

Survey Date: 9/24/08	Sheet 1 of 1 Sheets
W.O. Number: 08.11.1532	Drawn By: JC
Date: 09/30/08	08111109_ROAD

PROVIDING SURVEYING SERVICES  
SINCE 1946

JOHN WEST SURVEYING COMPANY  
412 N. DAL PASO  
HOBBS, N.M. 88240  
(505) 393-3117

SECTION 35, TOWNSHIP 12 SOUTH, RANGE 27 EAST, N.M.P.M.,  
CHAVES COUNTY, NEW MEXICO.



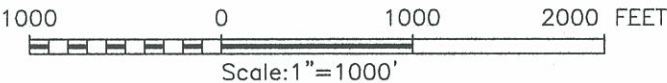
DESCRIPTION

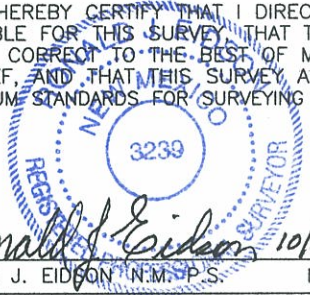
A STRIP OF LAND 50.0 FEET WIDE AND 789.3 FEET OR 0.149 MILES IN LENGTH CROSSING USA LAND IN SECTION 35, TOWNSHIP 12 SOUTH, RANGE 27 EAST, NMPM, CHAVES COUNTY, NEW MEXICO AND BEING 25.0 FEET LEFT AND 25.0 FEET RIGHT OF THE ABOVE PLATTED CENTERLINE SURVEY.

NOTE: BEARINGS SHOWN HEREON ARE MERCATOR GRID AND CONFORM TO THE NEW MEXICO COORDINATE SYSTEM "NEW MEXICO EAST ZONE" NORTH AMERICAN DATUM 1983. DISTANCES ARE SURFACE VALUES.

Kilauea BMZ Federal Com #1  
1550' FSL and 860' FEL, Unit I  
Section 35, T12S-R27E  
Chaves County, New Mexico  
Exhibit "A-6"

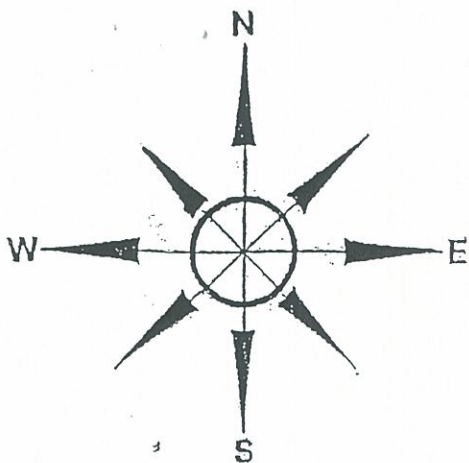
I HEREBY CERTIFY THAT I DIRECTED AND AM RESPONSIBLE FOR THIS SURVEY. THAT THIS SURVEY IS TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE AND BELIEF, AND THAT THIS SURVEY AND PLAT MEET THE MINIMUM STANDARDS FOR SURVEYING IN NEW MEXICO.



  
*Ronald J. Eidson* 10/08/08  
RONALD J. EIDSON N.M.P.S. No. 3239

PROVIDING SURVEYING SERVICES  
SINCE 1946  
**JOHN WEST SURVEYING COMPANY**  
412 N. DAL PASO  
HOBBS, N.M. 88240  
(505) 393-3117

YATES PETROLEUM CORPORATION			
SURVEY OF AN EXISTING TWO TRACK ROAD CROSSING SECTION 35, TOWNSHIP 12 SOUTH, RANGE 27 EAST, N.M.P.M., CHAVES COUNTY, NEW MEXICO			
Survey Date: 10/01/08	Sheet 1 of 1 Sheets		
W.O. Number: 08.11.1659	Drawn By: JC		
Date: 10/08/08	REF: 08.11.1532 REF: 08.11.1109	08111659_ROAD	



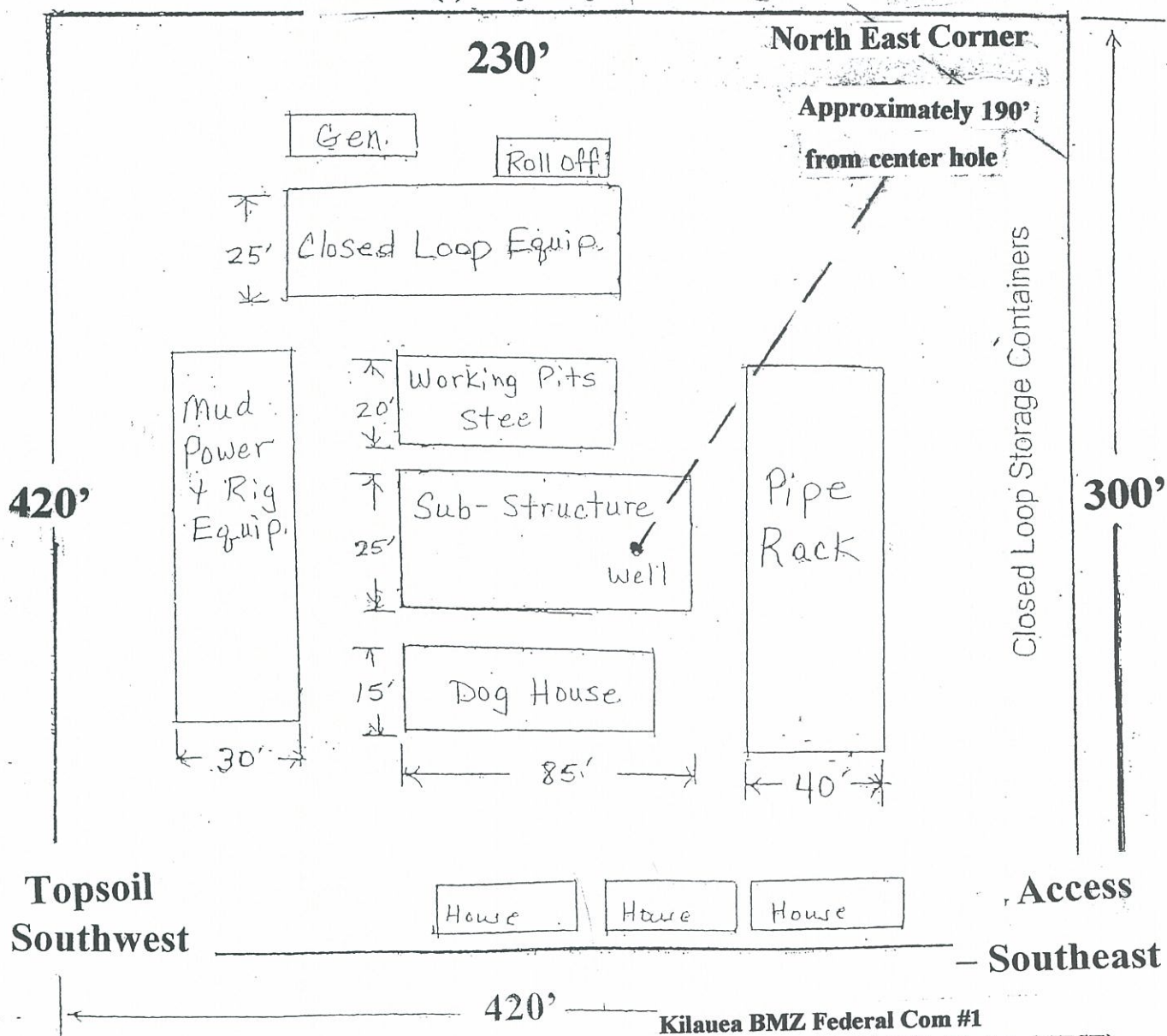
PB - L1

**Yates Petroleum Corporation**  
Location Layout for Permian Basin  
Up to 12,000'

Closed Loop Design Plan North

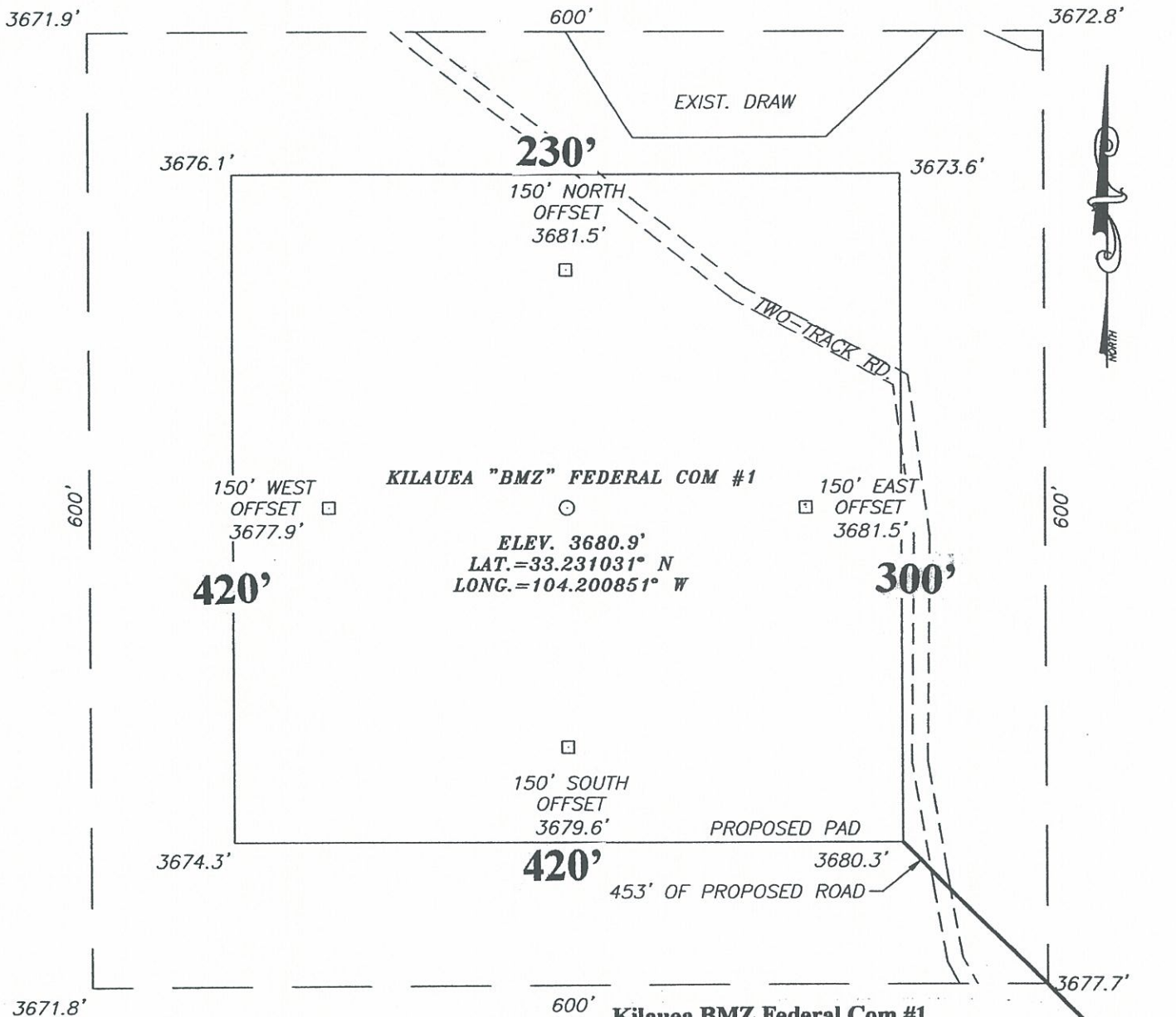
Not - To - Scale

Distance(s) may vary between rigs



Kilauea BMZ Federal Com #1  
1550' FSL and 860' FEL, Unit I, (NESE)  
Section 35, T12S-R27E  
Chaves County, New Mexico  
Exhibit "C" corrected 10/13/2008

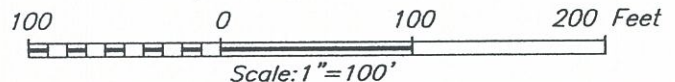
**SECTION 35, TOWNSHIP 12 SOUTH, RANGE 27 EAST, N.M.P.M.,**  
CHAVES COUNTY, NEW MEXICO



**DIRECTIONS TO LOCATION**

FROM THE INTERSECTION OF HWY. #190 AND CO. RD. MERLINDA (CALICHE), GO EAST THEN NORTHEAST APPROX. 8.7 MILES. TURN RIGHT ON CALICHE ROAD AND GO SOUTH APPROX. 0.8 MILES; TURN RIGHT ON TWO TRACK ROAD AND GO WEST APPROX. 0.15 MILES; TURN LEFT AND GO SOUTH APPROX. 0.55 MILES; TURN RIGHT AND GO WEST APPROX. 0.25 MILES; TURN RIGHT AND GO NORTH APPROX. 0.1 MILE TO THIS LOCATION.

**Kilauea BMZ Federal Com #1**  
1550' FSL and 860' FEL, Unit I, (NESE)  
Section 35, T12S-R27E  
Chaves County, New Mexico  
Exhibit "C-1" corrected 10/13/2008



PROVIDING SURVEYING SERVICES  
SINCE 1946  
**JOHN WEST SURVEYING COMPANY**  
412 N. DAL PASO  
HOBBS, N.M. 88240  
(505) 393-3117

**YATES PETROLEUM CORPORATION**

KILAUEA BMZ FEDERAL COM #1  
LOCATED 1550 FEET FROM THE SOUTH LINE  
AND 860 FEET FROM THE EAST LINE OF SECTION 35,  
TOWNSHIP 12 SOUTH, RANGE 27 EAST, N.M.P.M.,  
CHAVES COUNTY, NEW MEXICO.

Survey Date: 10/1/08		Sheet 1 of 1 Sheets	
W.O. Number: 08.11.1659		Dr By: LA	Rev 1:N/A
Date: 10/6/08	REL:08111532	08111659	Scale:1"=100'

Form 3160-3  
(April 2004)

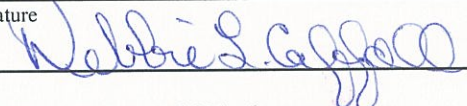

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT  
**APPLICATION FOR PERMIT TO DRILL OR REENTER**

FORM APPROVED  
OMB NO. 1004-0137  
Expires: March 31, 2007

1a. Type of Work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		5. Lease Serial No. <b>NM-120348</b>
1b. Type of Well: <input type="checkbox"/> Oil Well <input checked="" type="checkbox"/> Gas Well <input type="checkbox"/> Other <input type="checkbox"/> Single Zone <input type="checkbox"/> Multiple Zone		6. If Indian, Allottee or Tribe Name <b>Kilauea BMZ Federal Com. #1</b>
2. Name of Operator <b>Yates Petroleum Corporation</b>		7. If Unit or CA Agreement, Name and No.
3a. Address <b>105 South 4th Street, Artesia, NM 88210-2118</b>	3b. Phone No. (include area code) <b>575-748-1471</b>	8. Lease Name and Well No. <b>Kilauea BMZ Federal Com. #1</b>
4. Location of well (Report location clearly and in accordance with any State requirements. *) At surface <b>1550' FSL and 860' FEL, Unit I (NESE)</b> At proposed prod. zone <b>Same as above</b>		9. API Well No.
10. Field and Pool, or Exploratory <b>Siluro-Devonian</b>		11. Sec., T., R., M., or Blk. And Survey or Area <b>Section 35, T12S-R27E</b>
12. Distance in miles and direction from the nearest town or post office* <b>Approximately 10 miles east of Dexter, New Mexico</b>		12. County or Parish <b>Chaves</b>
13. State <b>NM</b>		14. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drlg. unit line, if any) <b>980'</b>
15. Distance from proposed* location to nearest well, drilling, completed, applied for, on this lease, ft. <b>None</b>		16. No. of acres in lease <b>1520.00</b>
17. Spacing Unit dedicated to this well <b>E2 - 320</b>		18. BLM/ BIA Bond No. on file <b>NATIONWIDE BOND #NMB000434</b>
19. Proposed Depth <b>7850'</b>		20. Estimated duration <b>45 Days</b>
21. Elevations (Show whether DF, RT, GR, etc.) <b>3681' GR</b>		22. Aproximate date work will start* <b>ASAP</b>
23. Attachments <b>ROSWELL CONTROLLED WATER BASIN</b>		

The following, completed in accordance with the requirements of Onshore Oil and Gas Order No. 1 shall be attached to this form:

- |  |   |
|--|---|
| 1. Well plat certified by a registered surveyor.   | 4. Bond to cover the operations unless covered by existing bond on file(see item 20 above).           |
| 2. A Drilling Plan.  | 5. Operator certification.  |
| 3. A Surface Use Plan ( if the location is on National Forest System Lands, the SUPO shall be filed with the appropriate Forest Service Office). | 6. Such other site specific information and/ or plans as may be required by the a authorized officer. |

25. Signature 	Name (Printed/ Typed) <b>Debbie L. Caffall</b>	Date <b>10/6/2008</b>
Title <b>Regulatory Agent - debbiec@ypcnm.com</b>		
Approved By (Signature) 	Name (Printed/ Typed) <b>Angel Mayes</b>	Date <b>12/1/08</b>
Title <b>Assistant Field Manager, Lands And Minerals</b>	Office <b>ROSWELL FIELD OFFICE</b>	<b>APPROVED FOR 2 YEARS</b>

Application approval does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to cc operations thereon.

Conditions of approval, if any, are attached.

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the Unite States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

\*(Instructions on page 2)

DECLARED WATER BASIN  
CEMENT BEHIND THE 85"  
CASING MUST BE CIRCULATED WITNESS

Engineering OK: 10-10-2008: J.H.H.  
APPROVAL SUBJECT TO  
GENERAL REQUIREMENTS AND  
SPECIAL STIPULATIONS ATTACHED

## INSTRUCTIONS

**GENERAL:** This form is designed for submitting proposals to perform certain well operations, as indicated, on Federal and Indian lands and leases for action by appropriate Federal agencies, pursuant to applicable Federal laws and regulations. Any necessary special concerning the use of this form and the number of copies to be submitted, particularly with regard to local, area, or regional procedures and practices, either are shown below or will be issued by, or may be obtained from, the local Federal and/or State office.

**ITEM 1:** If the proposal is to redrill to the same reservoir at a different subsurface location or to a new reservoir, use this form with appropriate notations. Consult applicable Federal regulations concerning subsequent work proposals or reports on the well.

**ITEM 4:** Locations on Federal or Indian land should be described in accordance with Federal requirements. Consult local Federal offices for specific instructions.

**ITEM 14:** Needed only when location of well cannot readily be found by road from the land or lease description. A plat, or plats, separate or on this reverse side, showing the roads to, and the surveyed location of, the well, and any other required information, should be furnished when required by Federal agency offices.

**ITEMS 15 AND 18:** If well is to be, or has been directionally drilled, give distances for subsurface location of hole in any present or objective production zone.

**ITEM 22:** Consult applicable Federal or State regulations, or appropriate officials, concerning approval of the proposal before operations are started.

BLM would like you to know that you do not have to respond to this or any other Federal agency-sponsored information collection unless it displays a currently valid OMB control number.

## NOTICE

The Privacy Act of 1974 and the regulation in 43 CFR 2.48(d) provide that you be furnished the following information in connection with information required by this application.

**AUTHORITY:** 30 U.S.C. 181 et seq., 25 U.S.C. 396; 43 CFR Part 3160.

**PRINCIPAL PURPOSES:** The information will be used to: (1) process and evaluate your application for a permit to drill a new oil, gas, or service well or to reenter a plugged and abandoned well; and (2) document, for administrative use, information for the management, disposal and use of National Resource Lands and resources including (a) analyzing your proposal to discover and extract the Federal or Indian resources encountered; (b) reviewing procedures and equipment and the projected impact on the land involved; and (c) evaluating the effects of the proposed operation on the surface and subsurface water and other environmental impacts.

**ROUTINE USE:** (1) The analysis of the applicant's proposal to discover and extract the Federal or Indian resources encountered. (2) The review of procedures and equipment and the projected impact on the land involved. (3) The evaluation of the effects of proposed operation on surface and subsurface water and other environmental impacts. (4)(5) Information from the record and/or the record will be transferred to appropriate Federal, State, local or foreign agencies, when relevant to civil, criminal or regulatory investigations or prosecutions, as well as routine regulatory responsibility.

**EFFECT OF NOT PROVIDING INFORMATION:** Filing of this application and disclosure of the information is mandatory only if the operator elects to initiate drilling operation on an oil and gas lease.

## BURDEN HOURS STATEMENT

Public reporting burden for this form is estimated to average 30 minutes per response, including the time for reviewing instructions, gathering and maintaining data, and completing and reviewing the form. Direct comments regarding the burden estimate or any other aspect of this form to U.S. Department of the Interior, Bureau of Land Management, (Alternate) Bureau Clearance Officer, (WO-771), 1849 C Street, N.W., Washington, D.C. 20240, and the Office of Management and Budget, Paperwork Reduction Project (1004-0136), Washington, D.C. 20503.

The Paperwork Reduction Act of 1980 (44 U.S.C. 3501 et seq) requires us to inform you that: This information is being collected to allow evaluation of the technical, safety, and environmental factors involved with drilling for oil and/or gas on Federal and Indian oil and gas leases.

This information will be used to analyze and approve applications.

Response to this request is mandatory only if the operator elects to initiate drilling or reentry operations on an oil and gas lease.

DISTRICT I  
1625 N. FRENCH DR., HOBBS, NM 88240

DISTRICT II  
1301 W. GRAND AVENUE, ARTESIA, NM 88210

DISTRICT III  
1000 Rio Brazos Rd., Aztec, NM 87410

DISTRICT IV  
1220 S. ST. FRANCIS DR., SANTA FE, NM 87505

State of New Mexico  
Energy, Minerals and Natural Resources Department

OIL CONSERVATION DIVISION  
1220 SOUTH ST. FRANCIS DR.  
Santa Fe, New Mexico 87505

Form C-102  
Revised October 12, 2005  
Submit to Appropriate District Office  
State Lease - 4 Copies  
Fee Lease - 3 Copies

WELL LOCATION AND ACREAGE DEDICATION PLAT

☐ AMENDED REPORT

API Number	Pool Code	Pool Name Siluro Devonian
Property Code	Property Name KILAUEA "BMZ" FEDERAL COM	Well Number 1
OGRID No. 025575	Operator Name YATES PETROLEUM CORPORATION	Elevation 3681'

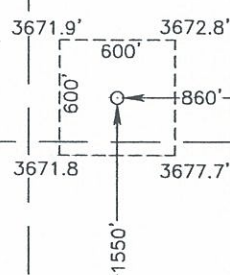
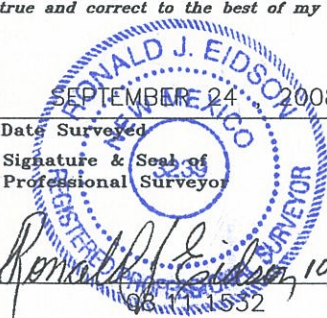
Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
I	35	12-S	27-E		1550	SOUTH	860	EAST	CHAVES

Bottom Hole Location If Different From Surface

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
Dedicated Acres E/2 320	Joint or Infill	Consolidation Code	Order No.						

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED  
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

NM-101098	NM-120348	<p>GEODETIC COORDINATES NAD 27 NME</p> <p>Y=811592.5 N X=540510.6 E</p> <p>LAT.=33.231031° N LONG.=104.200851° W</p> 	<p>OPERATOR CERTIFICATION</p> <p>I hereby certify that the information herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.</p> <p><i>Debbie L. Caffall</i> 10/2/08 Signature Date</p> <p>Debbie L. Caffall Printed Name</p>
			<p>SURVEYOR CERTIFICATION</p> <p>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.</p> <p> SEPTEMBER 24 2008 Date Surveyed JC</p> <p><i>Ronald J. Eidson</i> 10/01/08 Signature &amp; Seal of Professional Surveyor</p> <p>Certificate No. GARY EIDSON 12641 RONALD J. EIDSON 3239</p>

**YATES PETROLEUM CORPORATION**

**Kilauea BMZ Federal Com #1**

1550' FSL and 860' FEL, Unit I (NESE)

Section 35, T12S-R27E

Chaves County, New Mexico

1. The estimated tops of geologic markers are as follows:

Yates	15'	Basal Abo/Wolfcamp	5585'
Seven Rivers	145'	Wolfcamp Lime	5755'
Queen	665'	Wolfcamp B	5790'
Penrose	800'	Spear	6070'
Grayburg	1015'	Cisco	6245'
San Andres	1295'	Canyon	6440'
Glorieta	2500'	Strawn	6735'
Yeso	2620'	Atoka	6945'
Tubb	3960'	Mississippian	7040'
Abo	4770'	Silurian-Devonian	7620'
Abo Carbonate	5120'	TD	7850'

2. The estimated depths at which anticipated water, oil or gas formations are expected to be encountered:

Water: 150'			
Oil or Gas: Below		Basal Abo/Wolfcamp	5585' Gas
Queen	665' Gas or Oil	Wolfcamp Lime	5755' Gas
Penrose	800' Gas or Oil	WC B Zone	5790' Gas
Grayburg	1015' Gas or Oil	Spear Zone	6070' Gas
San Andres	1295' Gas or Oil	Cisco	6245' Gas
Abo	4770' Gas	Canyon	6440' Gas
Abo Carbonate	5120' Gas	Strawn	6735' Gas
		Atoka	6945' Gas
		Miss	7040' Gas
		Siluro-Devonian	7620' Gas or Oil
		TD	7850'

3. Pressure Control Equipment: BOPE will be installed on the 8 5/8" casing and rated for 3000# BOP System. Pressure tests will be conducted before drilling out from under all casing strings, which are set and cemented in place. Blowout Preventer controls will be installed prior to drilling the surface plug and will remain in use until the well is completed or abandoned. Preventers will be inspected and operated at least daily to ensure good mechanical working order, and this inspection recorded on the daily drilling report. See Exhibit B.

4. Auxiliary Equipment: Kelly cock, pit level indicators, flow sensor equipment, and a sub with full opening valve to fit the drill pipe and collars will be available on the rig floor in the open position at all times for use when Kelly is not in use.

5. THE PROPOSED CASING AND CEMENTING PROGRAM:

A. Casing Program: All new casing to be used

<u>Hole Size</u>	<u>Casing Size</u>	<u>Wt./Ft</u>	<u>Grade</u>	<u>Coupling</u>	<u>Interval</u>	<u>Length</u>
12 1/4"	8 5/8"	24 #	J-55	ST&C	0'-1400'	1400'
7 7/8"	5.5"	15.5 #	J-55	LT&C	0'-7850'	7850'

1. Minimum Casing Design Factors: Burst 1.0, Tensile Strength 1.8, Collapse 1.125

2. A 3000 psi system nipples up and tested on 8 5/8" casing.

B. CEMENTING PROGRAM:

Surface Casing: 450 sacks C Lite (WT 12.50 YLD 2.00). Tail in with 200 sacks C + 2% CaCl<sub>2</sub> (WT 14.80 YLD 1.32). TOC surface.

Production Casing: 425 sacks LiteCrete (WT 9.80 YLD 2.92). Tail in with 850 sacks of Pecos VILt (WT 13.00 YLD 1.41). Top of Cement approx. 900'.

6. MUD PROGRAM AND AUXILIARY EQUIPMENT:

<u>Interval</u>	<u>Type</u>	<u>Weight</u>	<u>Viscosity</u>	<u>Fluid Loss</u>
0-1400	Fresh Water Gel	8.40-8.60	32-36	N/C
1400-4700	Cut Brine	9.40-9.60	28-28	N/C
4700-7850	Starch/Salt Gel/4-6% KCL	9.60-10.00	45-55	4.0 - 6.0

Sufficient mud material(s) to maintain mud properties, control lost circulation and contain a blow out will be available at the well site during drilling operations. Rig personnel will check mud hourly.

7. EVALUATION PROGRAM:

Samples: 10' samples from under surface casing to TD

Logging: Platform Express; CNL/LDT/NGT TD to surf csg; CNL/GR TD to surf.; DLL/MSFL TD to surf csg; BHC Sonic TD to surf csg.

Coring: None anticipated

DST's: None Anticipated

Mudlogging: Yes, start from under surface casing

8. ABNORMAL CONDITIONS, BOTTOM HOLE PRESSURE, AND POTENTIAL HAZARDS:

Maximum Anticipated BHP:

0'-1400' 625 PSI

1400'-7850' 4080 PSI

Abnormal Pressures Anticipated: None

Lost Circulation Zones Anticipated: None.

H<sub>2</sub>S Zones Anticipated: None Anticipated

Maximum Bottom Hole Temperature: 150 F

9. ANTICIPATED STARTING DATE:

Plans are to drill this well as soon as possible after receiving approval. It should take approximately 45 days to drill the well with completion taking another 20 days.

MULTI-POINT SURFACE USE AND OPERATIONS PLAN  
**YATES PETROLEUM CORPORATION**  
**Kilauea BMZ Federal Com #1**  
1550' FSL and 860' FEL, Unit I (NESE)  
Section 35, T12S-R27E  
Chaves County, New Mexico

This plan is submitted with Form 3160-3, Application for Permit to Drill, covering the above described well. The purpose of this plan is to describe the location of the proposed well, the proposed construction activities and operations plan, the magnitude of the surface disturbance involved and the procedures to be followed in rehabilitating the surface after completion of the operations, so that a complete appraisal can be made of the environmental effect associated with the operations.

1. **EXISTING ROADS:**

Exhibit A – A1 is a portion of the map showing the well and roads in the vicinity of the proposed location. The existing two-track road being impacted by the pad will be rerouted as necessary, as not to impede travel. The proposed well site is located approximately 10 miles east of Dexter, New Mexico and the access route to the location is indicated in pink and red on Exhibit A – A1.

**DIRECTIONS: EAST OF DEXTER, NEW MEXICO FROM THE INTERSECTION OF MERLINDA ROAD AND WICHITA ROAD TRAVEL EAST ON MERLINDA ROAD FOR APPROXIMATELY 8.0 MILES TO A LEASE ROAD ON THE RIGHT (SOUTH) FOR APPROXIMATELY .8 OF A MILE TO A TWO TRACK ON THE RIGHT (WEST) AND TRAVEL FOR APPROXIMATELY .55 OF A MILE AND TURN TO THE RIGHT (North) AND TRAVEL ON TWO TRACK FOR APPROXIMATELY 0.1 MILES TO THE SOUTHEAST CORNER OF PAD.**

2. **PLANNED ACCESS ROAD:**

- A. The proposed new access will be approximately 0.55 of a mile and turn to the right (north) and travel on two track for approximately 0.1 miles to the southeast corner of pad.
- B. The new road will be 30 feet in width with 16 feet in width (driving surface) and will be adequately drained to control runoff and soil erosion.
- C. The new road will be bladed with drainage on both sides if needed. Traffic turnouts if warranted.
- D. The route of the road is visible.
- E. Existing roads will be maintained in the same or better condition.

3. **LOCATION OF EXISTING WELL:**

- A. There is currently no drilling activity within a one-mile radius of the well site.
- B. Exhibit D shows existing wells within a one-mile radius of the proposed well site.

4. **LOCATION OF EXISTING AND/OR PROPOSED FACILITIES:**

- A. There are no production facilities on this lease at the present time. Production facilities will not be located on the rim of location; preferably located in a easterly direction.
- B. If the well is productive oil, a gas or diesel self-contained unit will be used to provide the necessary power until an electric line can be built, if needed. Power should not be required if the well is productive of gas.
- C. Should a Pipeline Right-Of-Way be required it will be filed under a separate application and/or by 3<sup>rd</sup> party if applicable.

5. LOCATION AND TYPE OF WATER SUPPLY:

- A. It is planned to drill the proposed well with a fresh water system. The water will be obtained from commercial sources and will be hauled to the location by truck over the existing and proposed roads shown in Exhibit A-A1.

6. SOURCE OF CONSTRUCTION MATERIALS:

The dirt contractor will be responsible for finding a source of material for construction of road and pad and will obtain any permits that may be required.

7. METHODS OF HANDLING WASTE DISPOSAL:

- A. Drill cuttings will be collected in tanks until hauled to an approved disposal system.
- B. A closed loop system will be constructed, maintained and closed in compliance with the State of New Mexico, Energy and Natural Resources Department, Oil Conservation Division—the “Pit Rule” 19.15.17 NMAC. Form C-144 attached – Exhibit E.
- C. Drilling fluids will be removed after drilling and completions are finalized.
- D. Water produced during operations will be collected in tanks until hauled to an approved disposal system, or separate disposal application will be submitted.
- E. Oil produced during operations will be stored in tanks until sold.
- F. Current laws and regulations pertaining to the disposal of human waste will be complied with.
- G. All trash, junk, and other waste materials will be contained in trash cages or bins to prevent scattering and will be removed and deposited in an approved sanitary landfill. Burial on site is not approved.

8. ANCILLARY FACILITIES: NONE

9. WELLSITE LAYOUT:

- A. Exhibit C – C1 shows the relative location and dimensions of the well pad, the closed loop design plan, the location of the drilling equipment, orientation and access road approach. The northeast corner will be approximately 190’ from the center hole. A berm will be constructed around the pad. (Approximately 4.5 acres)
- B. The closed loop system will be constructed, maintained, and closed in compliance with the State of New Mexico, Energy and Natural Resources Department, Oil Conservation Division – the “Pit Rule” 19.15.17 NMAC. Form C-144 is attached – Exhibit E.
- C. A 600’ x 600’ area has been staked and flagged.

10. PLANS FOR RESTORATION:

- A. After finishing drilling and/or completion operations, all equipment and other material not needed for further operations will be removed. The location will be cleaned of all trash and junk to leave the well site in as aesthetically pleasing a condition as possible.
- B. If the proposed well is plugged and abandoned, all rehabilitation and/or vegetation requirements of the Bureau of Land Management will be complied with and will be accomplished as expeditiously as possible.

11. SURFACE OWNERSHIP: Federal Surface  
**Administered by:** Bureau of Land Management  
Roswell Field Office  
2909 West Second  
Roswell, NM 88201  
**Phone:** (575) 627-0276 **Fax** (575) 627-0276

#65069 Calumet Ranch, allottee is Billy G. Hill c/o Conejo Cattle Company Inc., P.O.  
Drawer 280, 1184 Merlinda Rd., Dexter, NM 88230;

**Minerals:** NM-120348  
Federal - Administered by Bureau of Land Management, Roswell Field Office,  
2909 W. Second Street, Roswell, NM 88201-2019  
**Phone:** 575-627-0272 **FAX:** 575-627-0276

12. OTHER INFORMATION:

- A. The primary use of the surface is for grazing.
- B. Refer to the archaeological report for a description of the topography, flora, fauna, soil Characteristics, dwellings, and historical and cultural sites.

Exhibits Attached  
Exhibit A – A1 Topo/Vicinity Map  
Exhibit B – Pressure System  
Exhibit C – C1 Location Layout  
Exhibit D – One Mile Radius  
Exhibit E - Form C-144

**CERTIFICATION**  
**YATES PETROLEUM CORPORATION**  
**Kilauea BMZ Federal Com #1**  
1550' FSL and 860' FEL, Unit I (NESE)  
Section 35, T12S-R27E  
Chaves County, New Mexico

I hereby certify that I, or someone under my direct supervision, have inspected the drill site and access route proposed herein; that I am familiar with the conditions which currently exist; that I or other company representatives have full knowledge of state and federal laws applicable to this operation; that the statements made in this APD package are, to the best of my knowledge, true and correct; and that the work associated with the operations proposed herein will be performed in conformity with this APD package and the terms and conditions under which it is approved. I also certify that I, or the company I represent, am responsible for the operations conducted under this application. These statements are subject to the provisions of 18 U.S.C. 1001 for the filing of false statements.

Executed this 6th day of October, 2008.

Name Debbie L. Caffall

Signature 

Position Title Regulatory Agent/Land Department

Address 105 South Fourth Street 88210

E-mail (optional) debbiec@ypcnm.com

Telephone 575-748-4376 or 365-5022

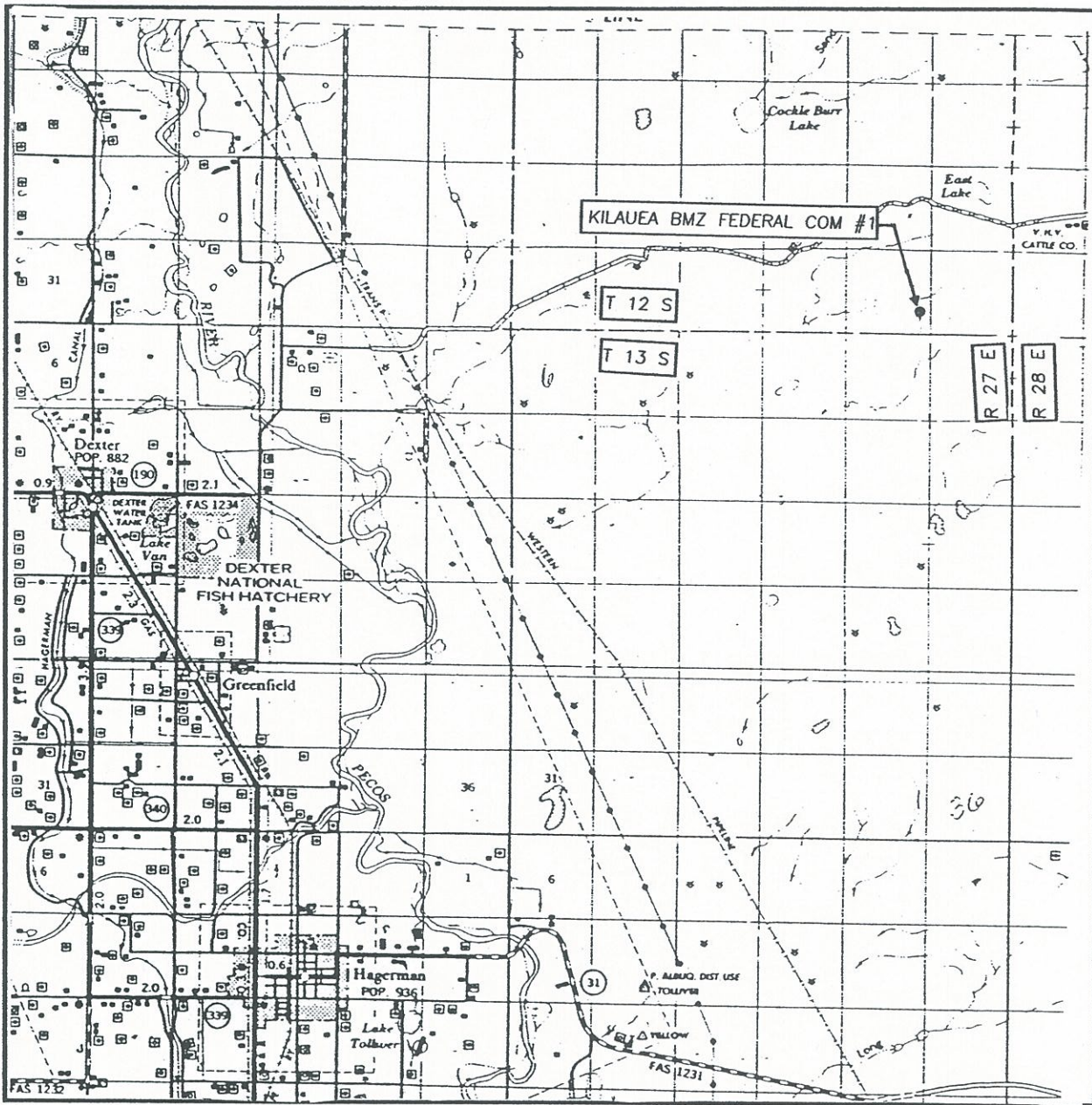
Field Representative (if not above signatory) Tim Bussell

Address (if different from above) Same

Telephone (if different from above) 575-748-4221

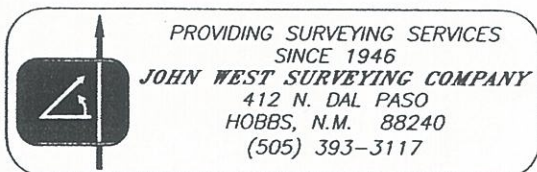
E-mail (optional) \_\_\_\_\_

# VICINITY MAP

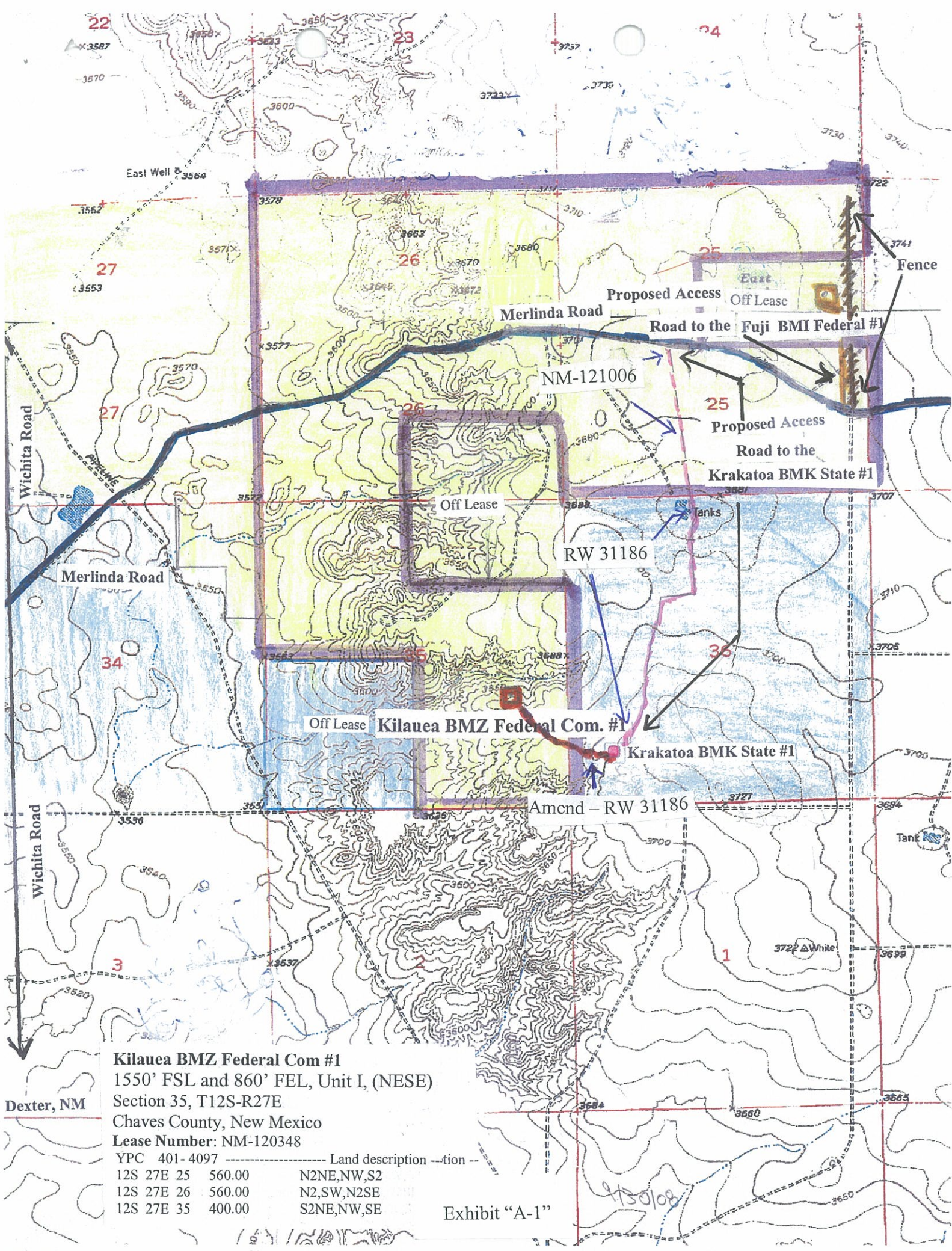


SCALE: 1" = 2 MILES

SEC. 35 TWP. 12-S RGE. 27-E  
 SURVEY N.M.P.M.  
 COUNTY CHAVES STATE NEW MEXICO  
 DESCRIPTION 1550' FSL & 860' FEL  
 ELEVATION 3681'  
 OPERATOR YATES PETROLEUM CORPORATION  
 LEASE KILAUEA BMZ FEDERAL COM #1

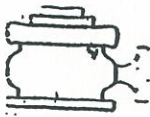


Kilauea BMZ Federal Com #1  
 1550' FSL and 860' FEL, Unit I  
 Section 35, T12S-R27E  
 Chaves County, New Mexico  
 Exhibit "A"



**Kilauea BMZ Federal Com #1**  
1550' FSL and 860' FEL, Unit I, (NESE)  
Section 35, T12S-R27E  
Chaves County, New Mexico  
**Lease Number: NM-120348**  
YPC 401-4097 ----- Land description -----  
12S 27E 25 560.00 N2NE,NW,S2  
12S 27E 26 560.00 N2,SW,N2SE  
12S 27E 35 400.00 S2NE,NW,SE

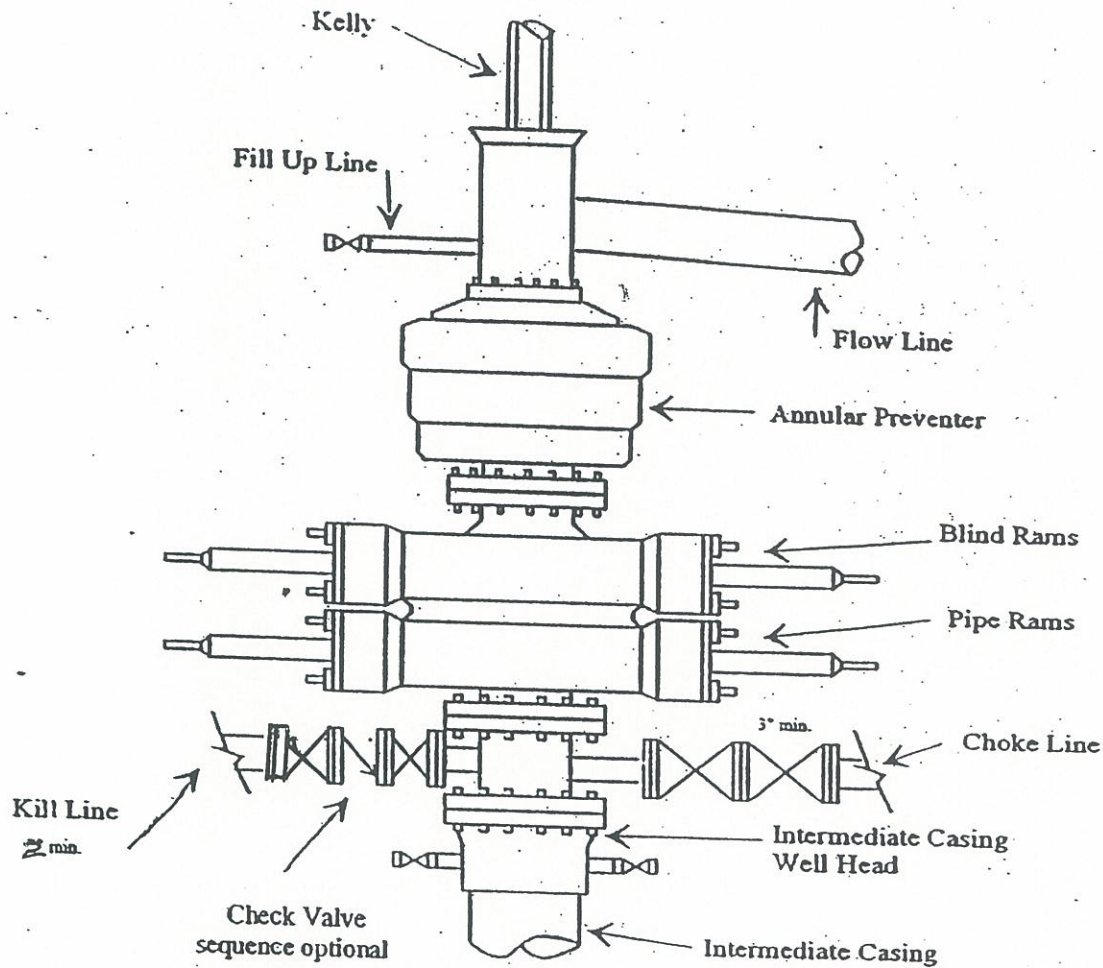
Exhibit "A-1"



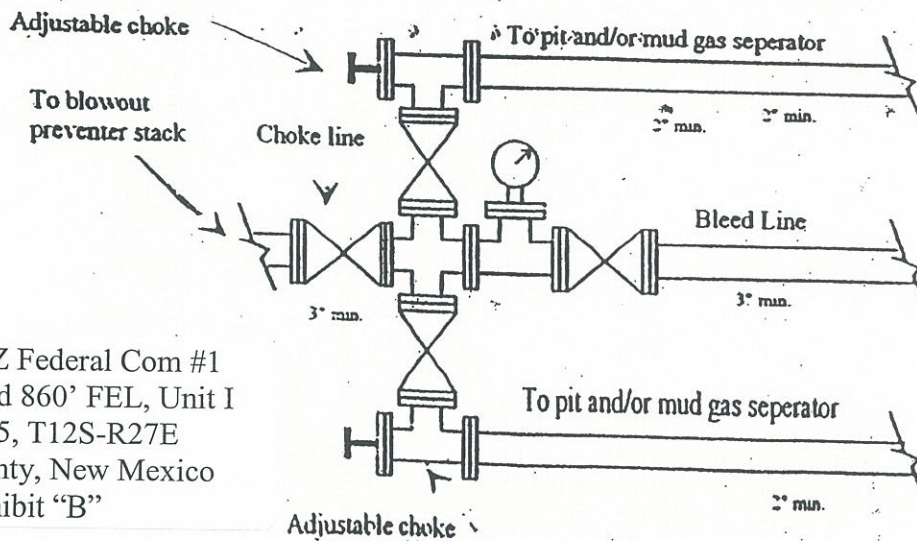
# Yates Petroleum Corporation

BOP-3

## Typical 3,000 psi Pressure System Schematic Annular with Double Ram Preventer Stack



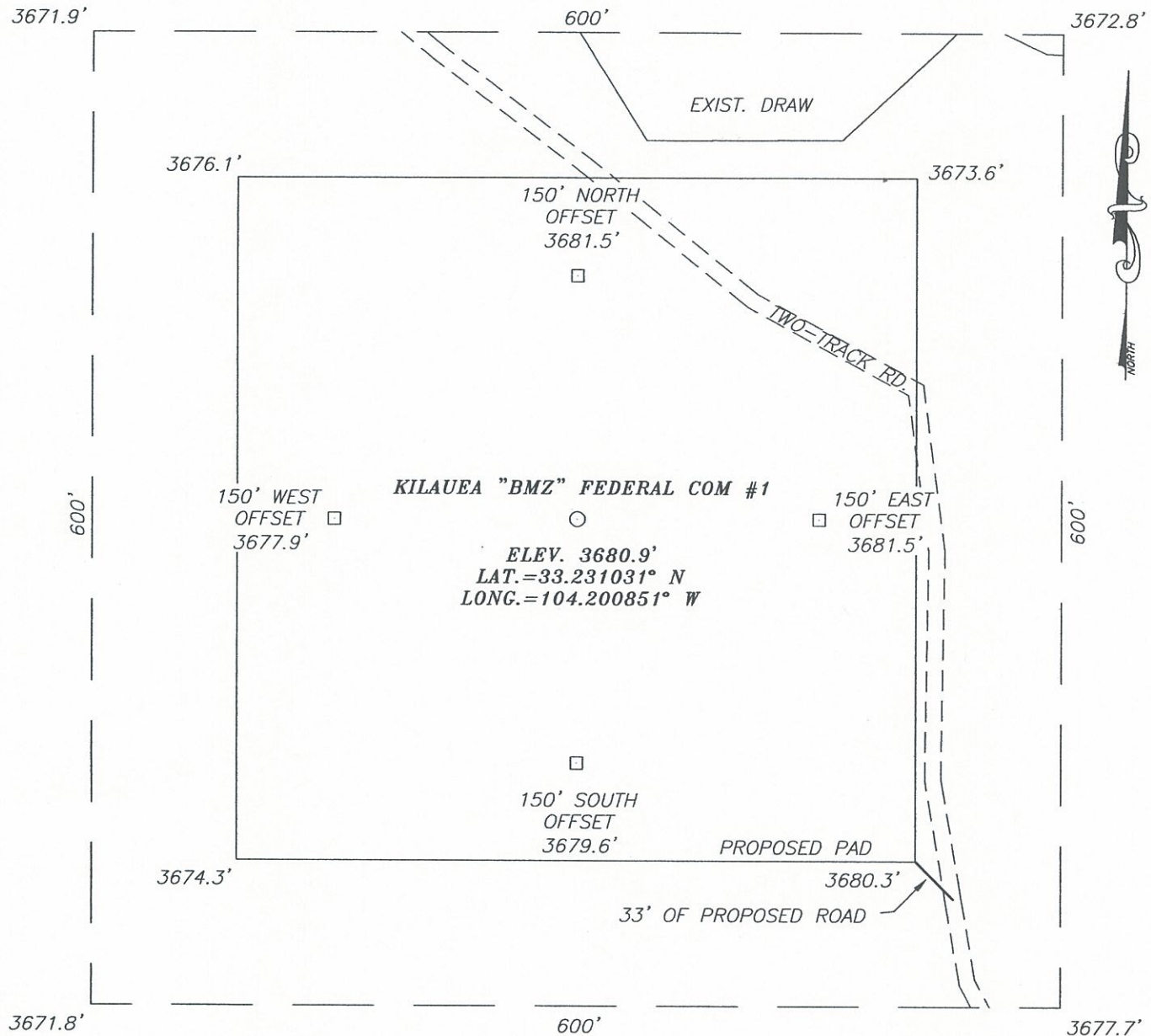
## Typical 3,000 psi choke manifold assembly with at least these minimum features



Kilauea BMZ Federal Com #1  
1550' FSL and 860' FEL, Unit I  
Section 35, T12S-R27E  
Chaves County, New Mexico  
Exhibit "B"

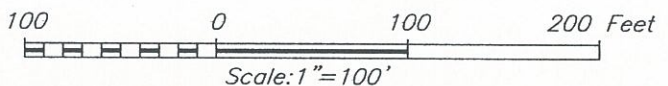


SECTION 35, TOWNSHIP 12 SOUTH, RANGE 27 EAST, N.M.P.M.,  
CHAVES COUNTY, NEW MEXICO



DIRECTIONS TO LOCATION

FROM THE INTERSECTION OF HWY. #190 AND CO. RD. MERLINDA (CALICHE), GO EAST THEN NORTHEAST APPROX. 8.7 MILES. TURN RIGHT ON CALICHE ROAD AND GO SOUTH APPROX. 0.8 MILES; TURN RIGHT ON TWO TRACK ROAD AND GO WEST APPROX. 0.15 MILES; TURN LEFT AND GO SOUTH APPROX. 0.55 MILES; TURN RIGHT AND GO WEST APPROX. 0.25 MILES; TURN RIGHT AND GO NORTH APPROX. 0.1 MILE TO THIS LOCATION.



**YATES PETROLEUM CORPORATION**

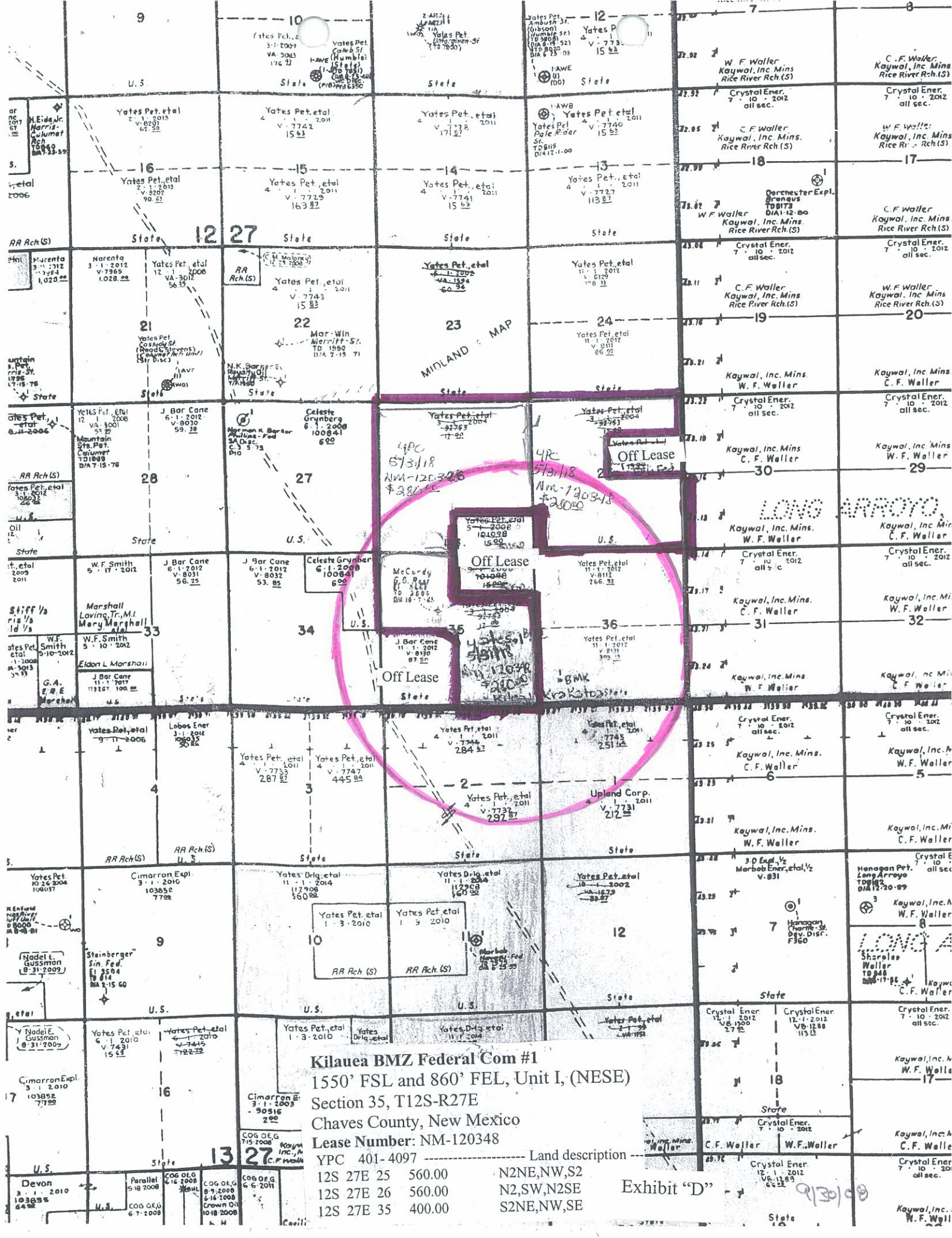
KILAUEA BMZ FEDERAL COM #1  
LOCATED 1550 FEET FROM THE SOUTH LINE  
AND 860 FEET FROM THE EAST LINE OF SECTION 35,  
TOWNSHIP 12 SOUTH, RANGE 27 EAST, N.M.P.M.,  
CHAVES COUNTY, NEW MEXICO.

Survey Date: 9/24/08		Sheet 1 of 1 Sheets	
W.O. Number: 08.11.1532	Dr By: JC		Rev 1:N/A
Date: 9/29/08		08111532	Scale: 1"=100'



PROVIDING SURVEYING SERVICES  
SINCE 1946  
**JOHN WEST SURVEYING COMPANY**  
412 N. DAL PASO  
HOBBS, N.M. 88240  
(505) 393-3117

Kilauea BMZ Federal Com #1  
1550' FSL and 860' FEL, Unit I  
Section 35, T12S-R27E  
Chaves County, New Mexico  
Exhibit "C-1"



Kilauea BMZ Federal Com #1  
1550' FSL and 860' FEL, Unit I, (NESE)  
Section 35, T12S-R27E  
Chaves County, New Mexico  
Lease Number: NM-120348

YPC	401-4097	Land description
12S 27E 25	560.00	N2NE,NW,S2
12S 27E 26	560.00	N2,SW,N2SE
12S 27E 35	400.00	S2NE,NW,SE

Exhibit "D"

9/30/09

District I  
1625 N. French Dr., Hobbs, NM 88240  
District II  
1301 W. Grand Avenue, Artesia, NM 88210  
District III  
1000 Rio Brazos Road, Aztec, NM 87410  
District IV  
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico  
Energy Minerals and Natural Resources  
Department  
Oil Conservation Division  
1220 South St. Francis Dr.  
Santa Fe, NM 87505

Form C-144 CLEZ  
July 21, 2008

For closed-loop systems that only use above ground steel tanks or haul-off bins and propose to implement waste removal for closure, submit to the appropriate NMOCD District Office.

## Closed-Loop System Permit or Closure Plan Application

(that only use above ground steel tanks or haul-off bins and propose to implement waste removal for closure)

Type of action: ☒ Permit ☐ Closure

**Instructions:** Please submit one application (Form C-144 CLEZ) per individual closed-loop system request. For any application request other than for a closed-loop system that only use above ground steel tanks or haul-off bins and propose to implement waste removal for closure, please submit a Form C-144.

Please be advised that approval of this request does not relieve the operator of liability should operations result in pollution of surface water, ground water or the environment. Nor does approval relieve the operator of its responsibility to comply with any other applicable governmental authority's rules, regulations or ordinances.

1.  
Operator: Yates Petroleum Corporation OGRID #: 025575  
Address: 105 South 4<sup>th</sup> Street, Artesia, NM 88210  
Facility or well name: Kilauea BMZ Federal Com #1  
API Number: \_\_\_\_\_ OCD Permit Number: \_\_\_\_\_  
U/L or Qtr/Qtr I Section 35 Township 12S Range 27E County: Chaves  
Center of Proposed Design: Latitude N.33.231031 Longitude W.104.200851 NAD: ☒ 1927 ☐ 1983  
Surface Owner: ☒ Federal ☐ State ☐ Private ☐ Tribal Trust or Indian Allotment

2.  
☒ **Closed-loop System:** Subsection H of 19.15.17.11 NMAC  
Operation: ☒ Drilling a new well ☐ Workover or Drilling (Applies to activities which require prior approval of a permit or notice of intent) ☐ P&A  
☐ Above Ground Steel Tanks or ☒ Haul-off Bins

3.  
**Signs:** Subsection C of 19.15.17.11 NMAC  
☐ 12"x 24", 2" lettering, providing Operator's name, site location, and emergency telephone numbers  
☒ Signed in compliance with 19.15.3.103 NMAC

4.  
**Closed-loop Systems Permit Application Attachment Checklist:** Subsection B of 19.15.17.9 NMAC  
**Instructions:** Each of the following items must be attached to the application. Please indicate, by a check mark in the box, that the documents are attached.  
☒ Design Plan - based upon the appropriate requirements of 19.15.17.11 NMAC  
☒ Operating and Maintenance Plan - based upon the appropriate requirements of 19.15.17.12 NMAC  
☒ Closure Plan (Please complete Box 5) - based upon the appropriate requirements of Subsection C of 19.15.17.9 NMAC and 19.15.17.13 NMAC  
☐ Previously Approved Design (attach copy of design) API Number: \_\_\_\_\_  
☐ Previously Approved Operating and Maintenance Plan API Number: \_\_\_\_\_

5.  
**Waste Removal Closure For Closed-loop Systems That Utilize Above Ground Steel Tanks or Haul-off Bins Only:** (19.15.17.13.D NMAC)  
**Instructions:** Please identify the facility or facilities for the disposal of liquids, drilling fluids and drill cuttings. Use attachment if more than two facilities are required.  
Disposal Facility Name: Gandy Marley Disposal Facility Permit Number: NM-01-0019  
  
Will any of the proposed closed-loop system operations and associated activities occur on or in areas that will not be used for future service and operations?  
☐ Yes (If yes, please provide the information below) ☒ No  
**Required for impacted areas which will not be used for future service and operations:**  
☐ Soil Backfill and Cover Design Specifications - based upon the appropriate requirements of Subsection H of 19.15.17.13 NMAC  
☐ Re-vegetation Plan - based upon the appropriate requirements of Subsection I of 19.15.17.13 NMAC  
☐ Site Reclamation Plan - based upon the appropriate requirements of Subsection G of 19.15.17.13 NMAC

Kilauea BMZ Federal Com #1  
1550' FSL and 860' FEL, Unit I  
Section 35, T12S-R27E  
Chaves County, New Mexico  
Exhibit "E"

6.

**Operator Application Certification:**

I hereby certify that the information submitted with this application is true, accurate and complete to the best of my knowledge and belief.

Name (Print): Debbie L. CaffallTitle: Regulatory AgentSignature: Debbie L. CaffallDate: 10/06/2008e-mail address: debbiec@ypcnm.comTelephone: 575-748-4376

7.

**OCD Approval:** ☐ Permit Application (including closure plan) ☐ Closure Plan (only)

OCD Representative Signature: \_\_\_\_\_ Approval Date: \_\_\_\_\_

Title: \_\_\_\_\_ OCD Permit Number: \_\_\_\_\_

8.

**Closure Report (required within 60 days of closure completion):** Subsection K of 19.15.17.13 NMAC

*Instructions: Operators are required to obtain an approved closure plan prior to implementing any closure activities and submitting the closure report. The closure report is required to be submitted to the division within 60 days of the completion of the closure activities. Please do not complete this section of the form until an approved closure plan has been obtained and the closure activities have been completed.*

☐ Closure Completion Date: \_\_\_\_\_

9.

**Closure Report Regarding Waste Removal Closure For Closed-loop Systems That Utilize Above Ground Steel Tanks or Haul-off Bins Only:**

*Instructions: Please indentify the facility or facilities for where the liquids, drilling fluids and drill cuttings were disposed. Use attachment if more than two facilities were utilized.*

Disposal Facility Name: \_\_\_\_\_ Disposal Facility Permit Number: \_\_\_\_\_

Disposal Facility Name: \_\_\_\_\_ Disposal Facility Permit Number: \_\_\_\_\_

Were the closed-loop system operations and associated activities performed on or in areas that *will not* be used for future service and operations?

☐ Yes (If yes, please demonstrate compliance to the items below) ☐ No

*Required for impacted areas which will not be used for future service and operations:*

☐ Site Reclamation (Photo Documentation)

☐ Soil Backfilling and Cover Installation

☐ Re-vegetation Application Rates and Seeding Technique

10.

**Operator Closure Certification:**

I hereby certify that the information and attachments submitted with this closure report is true, accurate and complete to the best of my knowledge and belief. I also certify that the closure complies with all applicable closure requirements and conditions specified in the approved closure plan.

Name (Print): \_\_\_\_\_ Title: \_\_\_\_\_

Signature: \_\_\_\_\_ Date: \_\_\_\_\_

e-mail address: \_\_\_\_\_ Telephone: \_\_\_\_\_

Kilauea BMZ Federal Com #1  
1550' FSL and 860' FEL, Unit I  
Section 35, T12S-R27E  
Chaves County, New Mexico  
Exhibit "E"

# Yates Petroleum Corporation

## Closed Loop System

### Equipment Design Plan

Closed Loop System will consist of:

1 – double panel shale shaker

1 – (minimum ) Centrifuge, certain wells and flow rates may require 2 centrifuges

On certain wells, the Centrifuge will be replaced by a Clackco Settling Tank System

1 – minimum centrifugal pump to transfer fluids

2- 500 bbl. FW Tanks

1 – 500 bbl. BW Tank

1 – half round frac tank – 250 bbl. capacity as necessary to catch cement / excess mud returns generated during a cement job.

1 Set of rail cars / catch bins

Certain wells will use an ASC Auger Tank

### Operation Plan

All equipment will be inspected at least hourly by rig personnel and daily by contractors' personnel.

Any spills / leaks will be reported to YPC, NMOCD, and cleaned up without delay.

### Closure Plan

Drilling with Closed Loop System, haul off bins will be taken to Gandy Marley, Lea Land Farm or CRI.

United States Department of the Interior  
Bureau of Land Management  
Roswell Field Office

Refer To: 3160-3

October 10, 2008

To: AFM, Lands & Minerals, RFO

From: Geologist, RFO

Subject: Geologic Review of Application for Permit to Drill

Operator: Yates Petroleum Corporation

Well Name and Number: Kilauea BMZ Federal Com. No.1

Location: 1550' FSL & 860' FEL (SHL)

Section: 35, T. 12 S., R. 27 E., NMPM

County: Chaves

State: NM

Lease No.: NM-120348

Date APD Rec'd: 10/7/08

1. Surface Elevation ☒ Surface Geology ☒
2. Geologic Marker Tops (from reports on surrounding wells):

<u>Geologic Marker</u>	<u>Depth</u>
Yates	170'
Queen	605'
Penrose Ss. mbr.	690'
San Andres	1190'
Pi mkr.	1497'
Slaughter zone	1750'
Brown Ls.	1894

Marker tops taken from the Phillips Federal No. 1 located in the NW $\frac{1}{4}$ NW $\frac{1}{4}$ , sec. 27, T. 12 S., R. 27 E., NMPM.

3. Usable Water Information: Usable water for domestic and stock use originates in Quaternary Alluviums and the Triassic redbeds. The data in this area is limited by the few water wells are listed, the deepest is approximately 200 ft. To the west of the location in T. 12 S., R. 26 E., NMPM water can be as deep as 1050 ft. However that occurs on the west edge of that township and is included within the extent of the Artesian aquifer of the Roswell

Underground Basin. Shows of water in an oil and gas well located in section 35, T. 12 S., R. 27 E., NMPM show water to a depth of 975 ft. with no shows of oil or gas to that depth. The deepest usable water up on the bluff overlooking the river should be about 200 ft.

Deepest Expected Fresh Water: Above 975'

Does Surface Casing cover all anticipated usable fresh water zones? **Notified operator to drill with fresh water gel to an approximate depth of 1000 ft. this will protect the usable water. However if the bedrock at this depth is not competent for cementing the usable water protection casing string the operator will set surface casing in the next thick competent bedrock.**

**Any polymers for sweeps and such will be water based and non-toxic this is allowable on said conditions.**

Controlled Water Basin: Yes - Roswell.

**Remarks: The operator will be required to measure the drilling rate accurately in order to set the usable water protecting casing string opposite competent bedrock The record of the drilling rate in ft/min. will be submitted to this office along with the caliper - gamma ray - neutron log from total depth to surface as well as all other logs run in the borehole thirty days from completion. Witness surface casing.**

4. Geologic Hazards? Yes

H2S X      Karst X      Abnormal Pressures X      Other

Remarks: H2S is always a possible hazard. Possible lost circulation in the San Andres Formation. The well location is within an area of medium potential for the occurrence of karst type feature.

5. Other Mineral Deposits: None reported.

6. References:

New Mexico State Engineer's Water Well Listings;  
NMSE Technical Report #42;  
NMBMMR Memoir #17;

7. No active mining claims are located in this vicinity.

Geologist Signature: /s/ J.S. Simitz

Date: 10/10/08

# Bureau of Land Management, Roswell Field Office

Environmental Assessment Checklist, DOI-BLM-NM-P010-2009-15-EA Kilauea "BMZ" Federal Com. #1

Resources	Not Present on Site	No Impacts	May Be Impacts	Mitigation Included	BLM Reviewer	Date
Air Quality			X	X	Hydrologist /s/ Michael McGee	10/31/08
Soil			X	X		
Watershed Hydrology			X	X		
Floodplains	X					
Water Quality - Surface			X	X		
Water Quality - Ground			X	X	Geologist /s/ John S. Simitz	11/20/08
Cultural Resources	X				Archaeologist Rebecca L. Hill 09-R-031A	4 Nov 2008
Native American Religious Concerns	X					
Paleontology	X					
Areas of Critical Environmental Concern	X				/s/J H Parman Plan & Environ. Coord.	10/14/08
Farmlands, Prime or Unique		X			Realty /s/ Sanderford	11/26/08
Rights-of-Way		X				
Invasive, Non-native Species			X	X	/s/ Joseph M. Navarro Range Mgmt. Spec.	10/22/08
Vegetation			X	X		
Livestock Grazing			X	X		
Wastes, Hazardous or Solid		X			Richard G. Hill Environ .Prot. Spec.	9/19/08
Threatened or Endangered Species	X				/s/ D Baggao Biologist	11/20/08
Special Status Species	X					
Wildlife			X	X		
Wetlands/Riparian Zones	X					
Wild and Scenic Rivers	X				Outdoor Rec. Planner  /s/ Bill Murry	11/5/08
Wilderness	X					
Recreation		X				
Visual Resources			X	X		
Cave/Karst			X	X		
Environmental Justice		X			Richard G. Hill Environ .Prot. Specialist.	9/19/08
Public Health and Safety		X				
Solid Mineral Resources		√			/s/ Jerry Dutchover Geologist	11/19/08
Fluid Mineral Resources		X			Geologist /s/ John S. Simitz	11/20/08

# **Department of the Interior Bureau of Land Management**

Roswell Field Office  
2909 W. Second Street  
Roswell, New Mexico 88201

Project: Kilauea "BMZ" Federal Com. #1	EA Log Number: DOI-BLM-NM-P010-2009-15-EA
Location: Section: 35, T. 12 S., R. 27 E.	Lease Number: NM-120348
Applicant: Yates Petroleum Corporation	File Code: 3160
Roswell Field Office: (505) 627-0272	

## **Finding of No Significant Impact**

Based on the analysis of potential environmental impacts contained in the attached environmental assessment, I have determined that Alternative C – Preferred Alternative is not expected to have significant impacts on the environment and that preparation of an Environmental Impact Statement is not warranted.

## **Decision Record**

It is my decision to implement Alternative C – Preferred Alternative as described within the Environmental Assessment DOI-BLM-NM-P010-2009-15-EA; to approve the Application for Permit to Drill authorizing Yates Petroleum Corporation to drill and complete the #1 Kilauea "BMZ" Federal Com. gas well located 1550 FSL & 860 FEL Section 35, T. 12 S., R. 27 E., Chaves County, New Mexico and the Sundry Notices and Reports On Wells submitted on October 15, 2008.

This proposed Alternative C – Preferred Alternative (Kilauea "BMZ" Federal Com. #1) is in compliance with the 1997 Roswell Resource Management Plan, as amended and conforms to the land-use planning terms and conditions required under 43 CFR 1610.5. This action does not conflict with existing Chaves County land-use planning or zoning.

Rational: The Bureau of Land Management staff has reviewed the environmental assessment and identified site-specific mitigation measures to avoid or minimize surface impacts resulting from the construction of this project. The well pad and access road will remain as long term impacts. The cumulative impacts to the environment from existing and new development have been identified.

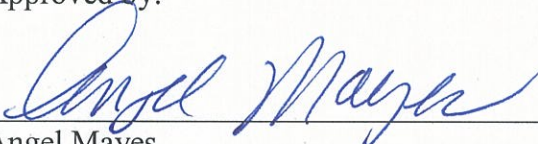
Administrative Review and Appeal: Under BLM regulations, this Decision Record (DR) is subject to administrative review in accordance with 43 CFR 3165. Any request for administrative review of this DR must include information required under 43 CFR 3165.3(b) (State Director Review), including all supporting documentation. Such a request must be filed in writing with the State Director, Bureau of Land Management, 1474 Rodeo Road, Santa Fe, NM 87505, no later than 20 business days after this DR is received or considered to have been received.

Any party who is adversely affected by the State Director's decision may appeal that decision to the Interior Board of Land Appeals, as provided in 43 CFR 3165.4.

Prepared by:

 Date 12/19/08  
Richard Hill,  
Environmental Protection Specialist

Approved by:

 Date 12/19/08  
Angel Mayes,  
Assistant Filed Manager,  
Lands and Minerals

# **BUREAU OF LAND MANAGEMENT**

## **ROSWELL FIELD OFFICE**

December, 2008

**ENVIRONMENTAL ASSESSMENT # DOI-BLM-NM-P010-2009-15-EA**

**Lease Number NMNM-120348**

**Kilauea "BMZ" Federal Com. #1**

### **1.0 Introduction**

Yates Petroleum Corporation has filed an Application for Permit to Drill (APD) on October 7, 2008 for the Kilauea "BMZ" Federal Com. #1 gas well.

The location for the proposed well is:

Kilauea "BMZ" Federal Com. #1  
Section 35, T. 12 S., R. 27 E.,  
Surface Location: 1550' FSL and 860' FEL,  
Chaves County, New Mexico.

### **1.1 Purpose and Need**

The purpose of this environmental assessment is to analyze the impacts of development of a federal oil and gas lease. It is the policy of the BLM to make mineral resources available for disposal and to encourage development of mineral resources to meet national, regional, and local needs. The Mineral Leasing Act of 1920 (MLA), as amended [30 USC 181 et seq.], authorizes the BLM to issue oil and gas leases for the exploration of oil and gas, and permit the development of those leases. An approved APD, issued by the BLM, would authorize the applicant to construct a road, pad and drill the well.

### **1.2 Conformance with Applicable Land Use Plan and Other Environmental Assessments**

Pursuant to 40 Code of Federal Regulations (CFR) 1508.28 and 1502.21, this site-specific EA tiers to and incorporates by reference the information and analysis contained in the 1997 Roswell RMP, as amended. The RMP is available for review at the Roswell Field Office, Roswell, New Mexico. This EA addresses the resources and impacts on a site-specific basis as required by the National Environmental Policy Act (NEPA) of 1969, as amended (Public Law 91-90, 42 USC 4321 et seq.) and conforms to the Roswell Resource Management Plan October 1997 as amended, Mineral Leasing Act of 1920 (MLA), as amended [30 USC 181 et seq.], and Title V of the Federal Land Policy and Management Act of October 21, 1976 (90 Stat. 2776; 43 U.S.C. 1761).

### 1.3 Federal, State or Local Permits, Licenses or Other Consultation Requirements

This EA also conforms to the requirements of the Clean Water Act (33 USC 1251 et seq.), National Historic Preservation Act (16 USC 470 et seq.), the Endangered Species Act, as amended (16 USC 1531 et seq.), the Clean Air Act (42 USC 7401 et seq.), and the Energy Policy Act of 2005 (Public Law 109-58, 119 STAT. 594).

Roswell Field Office staff reviewed the proposed action and determined it would be in compliance with threatened and endangered species management guidelines outlined in Biological Assessments Cons. #2-22-96-F-102, Cons. #22420-2006-I-0144, and Cons. #22420-2007-TA-0033. No further consultation with the U.S. Fish and Wildlife Service is required. .

Compliance with Section 106 responsibilities of the National Historic Preservation Act are adhered to by following the BLM – New Mexico State Historic Preservation Officer protocol agreement, which is authorized by the National Programmatic Agreement between the *BLM*, the *Advisory Council on Historic Preservation*, and the *National Conference of State Historic Preservation Officers*, and other applicable BLM handbooks.

Additionally, the Operator is required to:

- Comply with all applicable Federal, State and local laws and regulations.
- Obtain the necessary permits for the drilling, completion and production of these wells including water rights appropriations, the installation of water management facilities, water discharge permits, and relevant air quality permits.

The proposed project would not be in conflict with any State, local, or county plans.

## 2.0 Alternatives Including the Proposed Action

### 2.1 Alternative A – No Action

The BLM NEPA Handbook (H-1790-1) and the National Environmental Policy Act and associated Code of Federal Regulations state that for EAs on externally initiated proposed actions, the No Action Alternative means that the proposed activity would not take place. The No Action Alternative is presented for baseline analysis of resource impacts, and if selected, would deny the approval of the proposed application. Current land and resource uses would continue to occur in the proposed project area. No mitigation measures would be required.

### 2.2 Alternative B – Proposed Action

Yates Petroleum Corporation submitted at Notice of Staking on September 17, 2008, to drill the **Kilauea “BMZ” Federal Com. #1** gas well. The Application for Permit to Drill was submitted on October 7, 2008 and considered complete when the Sundry Notices and Reports on Wells was submitted on October 15, 2008.

1. **ACCESS ROAD:** The entire access road is 9,954.6 feet in length beginning from the Merlinda County Road to the well pad. The access road will utilize an existing road right-of-way NM-91981 issued to Yates Petroleum Corporation to access the Krakatoa "BMK" State #1. The right-of way segment of road is 2,625.9 feet in length located in section 25, T. 12 S., R. 27 E.. The access road will then continue south onto New Mexico State Lands in section 36, T. 12 S., R. 27 E., for another 5,875.2 feet until it reaches the Krakatoa State #1. Beginning from the northwest corner of the Krakatoa "BMK" State #1, there will be improvement to an existing two-track road for 664.2 feet on New Mexico State Lands and once the road is on-lease (Federal Surface - Section 35, T. 12 S., R. 27 E.) the first 336 feet of access road will be improvement to the existing two-track road and the last 453.3 feet of road will be new road construction. The total length of the on-lease segment of access road is 789.3 feet in length and road will access the southeast corner of the well pad. The access road will have a driving surface (travelway) of 14 feet in width with a maximum 30-foot wide surface disturbance area for the road construction. All other existing access roads would be maintained in a good or better condition than those existing at commencement of operations.

It will be necessary for Yates Petroleum Corporation to get the appropriate approvals from the New Mexico State Land Office for 664.2 feet in length of two-track road on New Mexico State Trust Lands.

2. **WELL PAD:** Yates Petroleum Corporation proposes to construct a well pad within the 600' X 600' archeological surveyed area. Due to constraints imposed by the topography of the area (steep slopes on the north, south, and west sides of the well pad) and a drainage located in very close proximity to the northeast corner of the well pad, the dimensions of the well pad will not have the same equal lengths of a four-sided square pad. The well pad has enough area on the west and south side of the pad to be able to construct the west and south sides of the well pad 420 feet in length. A portion of the northeast corner of the well pad will be cut-off and will be constructed in uneven lengths to protect an existing drainage. An existing two-track road located on the northeast corner of the well pad will serve as the cut-off boundary for the protection of the existing drainage. The irregular length of the north side of the well pad is 230 feet in length and the east side of the pad will be 300 feet in length.

No reserve pits will be used; the operator opted to use the **Closed Loop System**. Standard oilfield construction equipment consisting of; track-type tractors, motor graders, dump trucks, and water trucks would be used to construct the access road and well pad. A rotary drilling rig would be used to drill the well to a proposed depth of 7850 feet. Associated production facilities (e.g., pipeline, separator, storage tanks, etc.) would be installed during the production phase of this well.

Records were checked from the point the road leaves the dedicated county road, (Merlinda County Road) to the point where it enters the well location. No other road right-of-way will be required for this well. Yates Petroleum Corporation is the holder of an existing road right-of-way NM-91981.

Proposed Well Information:

Well Name	Number	Township	Range	Section	Lease Number	Date Lease Issued
Kilauea "BMZ" Federal Com.	1	12 S.	27 E.	35	NM-120348	07/15/2008

County: Chaves County New Mexico

Applicant: Yates Petroleum Corporation  
105 South 4<sup>th</sup> Street  
Artesia, New Mexico 88210-2118

Surface Owner: Bureau of Land Management

### 2.3 Alternative C – Preferred Alternative

Alternatives to the proposed action (Alternative B) were identified as the result of the onsite inspection conducted on **September 30, 2008**. Changes were made as described below to mitigate environmental impacts in accordance to the management prescription of the 1997 Roswell RMP, as amended. In all other respects, this alternative is the same as Alternative B.

#### Changes as a result of the on-sites:

There is a total of 789.3 feet of on-lease access road. An existing two-track road (336 feet in length) will be renovated on federal lands in the SE $\frac{1}{4}$ SE $\frac{1}{4}$  of section 35, T. 12 S., R. 27 E. and a rerouted segment of road (453.3 feet in length) was moved 50 feet east of the original proposed road route to avoid impacting a drainage. The rerouted segment of access road (453.3 feet) will be new road construction. In retrospect, a total of 789.3 feet of road is on-lease road and another 664.2 feet of two-track road will be renovated on New Mexico State trust Lands to continuously connect the access road until it reaches to the southeast corner of the well pad.

The well pad will be constructed in irregular lengths; it will not be constructed as a usual four equal sided square. The well pad dimensions will be 420 feet in length on the west and south side of the well pad and the north side of the well pad will be constructed 230 feet in length and the east side of the well pad will be constructed 300 feet in length. A small area of the northeast corner of the proposed well pad was cut-off from well pad construction and an old existing two-track road will serve as a boundary in the northeast corner of the well pad to protect the drainage.

Only the impacts of this preferred alternative will be analyzed in this EA.

### **3.0 Description of Affected Environment**

This section describes the environment that would be affected by implementation of the alternatives described in Section 2. Aspects of the affected environment described in this section focus on the relevant major resources or issues. Certain critical environmental components require analysis under BLM policy.

Only the aspects of the affected environment that are potentially impacted are described. The following elements are not present: Areas of Critical Environmental Concern (ACECs), Prime or Unique Farmlands, Floodplains, Paleontology, Wild and Scenic Rivers, Wilderness or Wilderness Study Areas (WSA), and Wild Horses and Burros.

The proposed well is located in Chaves County, New Mexico and described in the 1997 Roswell RMP Record of Decision. The proposed well and the associated infrastructure fall within the reasonable foreseeable development scenario. Additional general information on air quality in these areas is contained in Chapter 3 of the Roswell Draft RMP/Environmental Impact Statement.

In addition to the air quality information in the RMPs cited above, new information about Greenhouse gases (GHGs) and their effects on national and global climate conditions has emerged since the RMPs were prepared. On-going scientific research has identified the potential impacts of GHG emissions such as carbon dioxide (CO<sub>2</sub>), methane (CH<sub>4</sub>), nitrous oxide (NO), water vapor, and several trace gasses on global climate. Through complex interactions on a global scale, GHG emissions cause a net warming effect of the atmosphere, primarily by decreasing the amount of heat energy radiated by the earth back into space. Although GHG levels have varied for millennia (along with corresponding variations in climatic conditions), industrialization and burning of fossil carbon sources have caused GHG concentrations to increase measurably, and may contribute to overall climatic changes, typically referred to as global warming.

This EA incorporates an analysis of the contributions of the proposed action to GHG emissions and a general discussion of potential impacts to climate.

#### **3.1 Air Resources**

Air quality and climate are the components of air resources, which include applications, activities, and management of the air resource. Therefore, the BLM must consider and analyze the potential effects of BLM and BLM-authorized activities on air resources as part of the planning and decision making process.

The Environmental Protection Agency (EPA) has the primary responsibility for regulating air quality, including seven nationally regulated ambient air pollutants. Regulation of air quality is also delegated to some states. Air quality is determined by atmospheric pollutants and chemistry, dispersion meteorology and terrain, and also includes applications of noise, smoke management, and visibility.

Climate is the composite of generally prevailing weather conditions of a particular region throughout the year, averaged over a series of years. Greenhouse gases (GHGs) and the potential effects of GHG emissions on climate are not regulated by the EPA, however climate has the potential to influence renewable and non-renewable resource management.

### **3.1.1 Air Quality**

The area of the proposed action is considered a Class II air quality area. A Class II area allows moderate amounts air quality degradation. The primary sources of air pollution are dust from blowing wind on disturbed or exposed soil and exhaust emissions from motorized equipment.

Air quality in the area near proposed well is generally good and is not located in any of the areas designated by the Environmental Protection Agency as “non-attainment areas” for any listed pollutants regulated by the Clean Air Act.

Greenhouse gases, including carbon dioxide (CO<sub>2</sub>) and methane (CH<sub>4</sub>), and the potential effects of GHG emissions on climate, are not regulated by the EPA under the Clean Air Act. However, climate has the potential to influence renewable and non-renewable resource management. The EPA’s Inventory of US Greenhouse Gas Emissions and Sinks found that in 2006, total US GHG emissions were over 6 billion metric tons and that total US GHG emissions have increased by 14.1% from 1990 to 2006. The report also noted that GHG emissions fell by 1.5% from 2005 to 2006. This decrease was, in part, attributed to the increased use of natural gas and other alternatives to burning coal in electric power generation.

The levels of these GHGs are expected to continue increasing. The rate of increase is expected to slow as greater awareness of the potential environmental and economic costs associated with increased levels of GHG's result in behavioral and industrial adaptations.

### **3.1.2 Climate**

Global mean surface temperatures have increased nearly 1.0°C (1.8°F) from 1890 to 2006 (Goddard Institute for Space Studies, 2007). However, observations and predictive models indicate that average temperature changes are likely to be greater in the Northern Hemisphere. Without additional meteorological monitoring systems, it is difficult to determine the spatial and temporal variability and change of climatic conditions, but increasing concentrations of GHGs are likely to accelerate the rate of climate change.

In 2001, the Intergovernmental Panel on Climate Change (IPCC) predicted that by the year 2100, global average surface temperatures would increase 1.4 to 5.8°C (2.5 to 10.4°F) above 1990 levels. The National Academy of Sciences (2006) supports these predictions, but has acknowledged that there are uncertainties regarding how climate change may affect different regions. Computer model predictions indicate that increases in temperature will not be equally distributed, but are likely to be accentuated at higher latitudes. Warming during the winter months is expected to be greater than during the summer, and increases in daily minimum temperatures is more likely than increases in daily maximum temperatures.

A 2007 US Government Accountability Office (GAO) Report on Climate Change found that, "federal land and water resources are vulnerable to a wide range of effects from climate change, some of which are already occurring.

These effects include, among others: 1) physical effects such as droughts, floods, glacial melting, and sea level rise; 2) biological effects, such as increases in insect and disease infestations, shifts in species distribution, and changes in the timing of natural events; and 3) economic and social effects, such as adverse impacts on tourism, infrastructure, fishing, and other resource uses." It is not, however, possible to predict with any certainty regional or site specific effects on climate relative to the proposed lease parcels and subsequent actions.

In New Mexico, a recent study indicated that the mean annual temperatures have exceeded the global averages by nearly 50% since the 1970's (Enquist and Gori). Similar to trends in national data, increases in mean winter temperatures in the southwest have contributed to this rise. When compared to baseline information, periods between 1991 and 2005 show temperature increases in over 95% of the geographical area of New Mexico. Warming is greatest in the northwestern, central, and southwestern parts of the state.

### **3.2 Cultural Resources**

The project falls within the Southeastern New Mexico Archaeological Region. This region contains the following cultural/temporal periods: Paleoindian (ca. 12,000-8,000 B.C.), Archaic (ca. 8000 B.C. –A.D. 950), Ceramic (ca. A.D. 600-1540) Protohistoric and Spanish Colonial (ca. A.D. 1400-1821), and Mexican and American Historical (ca. A.D. 1822 to early 20th century). Sites representing any or all of these periods are known to occur within the region.

A more complete discussion can be found in *Living on the Land: 11,000 Years of Human Adaptation in Southeastern New Mexico An Overview of Cultural Resources in the Roswell District*, Bureau of Land Management published in 1989 by the U.S. Department of the Interior, Bureau of Land Management. A cultural resource inventory shall be conducted of the area of effect for the proposed project prior to any ground disturbing activities.

### **3.2 Native American Religious Concerns**

A review of existing information indicates the proposed action is outside any known Traditional Cultural Property.

### **3.3 Environmental Justice**

Executive Order 12898 requires Federal agencies to assess projects to ensure there is no disproportionately high or adverse environmental, health, or safety impacts on minority and low-income populations.

### **3.4 Invasive, Non-native Species**

There are no known populations of invasive or noxious weed species on the proposed access road and well pad.

Infestations of noxious weeds can have a disastrous impact on biodiversity and natural ecosystems. Noxious weeds affect native plant species by out-competing native vegetation for light, water and soil nutrients. Noxious weeds cause estimated losses to producers \$2 to \$3 billion annually. These losses are attributed to: (1) Decreased quality of agricultural products due to high levels of competition from noxious weeds; (2) decreased quantity of agricultural products due to noxious weed infestations; and (3) costs to control and/or prevent the noxious weeds.

Further, noxious weeds can negatively affect livestock and dairy producers by making forage either unpalatable or toxic to livestock, thus decreasing livestock productivity and potentially increasing producers' feed and animal health care costs. Increased costs to operators are eventually borne by consumers.

Noxious weeds also affect recreational uses, and reduce realty values of both the directly influenced and adjacent properties.

Recent federal legislation has been enacted requiring state and county agencies to implement noxious weed control programs. Monies would be made available for these activities from the federal government, generated from the federal tax base. Therefore, all citizens and taxpayers of the United States are directly affected when noxious weed control prevention is not exercised.

### **3.5 Wildlife**

The vegetation found at this site provides habitat to a large range of wildlife species. Some of the common mammals are mule deer, pronghorn, badger, coyote, fox, jackrabbit, cottontails, kangaroo rats, and pocket gophers. It also provides habitat for a variety of grassland and desert birds. Important passerine birds include meadowlarks, horned larks, lark buntings, Cassin's sparrows, lark sparrows, Chihuahuan ravens, and loggerhead shrikes. Other birds include scaled quail, mourning doves, roadrunners, common nighthawks, killdeer, and a variety of raptors including red-tailed and Swainson's hawk, northern harriers, great horned owls, and burrowing owls. It also provides habitat to a large variety of common lizards and snakes.

### **3.6 Threatened or Endangered Species**

There are no known threatened or endangered species of plant or animals within the project area. The list of federal threatened, endangered and candidate species reviewed for this EA can be found in Appendix 11 of the Roswell Approved RMP (AP11-2).

Under Section 7 of the Endangered Species Act of 1973 (as amended), the BLM is required to consult with the U.S. Fish and Wildlife Service on any proposed action which may affect Federal listed threatened or endangered species or species proposed for listing. RFO reviewed and determined the proposed action is in compliance with listed species management guidelines outlined in Biological Assessments Cons. #2-22-96-F-102, Cons. #22420-2006-I-0144, and Cons. #22420-2007-TA-0033. No further consultation with the Service is required.

### **3.7 Special Status Species**

There are no known special status species in the project area.

In accordance with BLM Manual 6840, BLM manages certain sensitive species not federally listed as threatened or endangered in order to prevent or reduce the need to list them as threatened or endangered in the future. Included in this category are State listed endangered species and Federal candidate species which receive no special protections under the Endangered Species Act.

### **3.8 Wastes, Hazardous or Solid**

The well will be drilled with a Closed Loop System and the drill hole cuttings will be properly disposed at a waste disposal site.

### **3.9 Water Quality**

Surface:

Surface water within the area is affected by geology, precipitation, and water erosion. Factors that currently affect surface water resources include livestock grazing management, oil and gas development, recreational use and brush control treatments.

No perennial surface water is found on public land in the area. Ephemeral surface water within the area may be located in tributaries, playas, alkali lakes and stock tanks.

Ground:

Groundwater within the area is affected by geology and precipitation. Factors that currently affect groundwater resources in the area include livestock grazing management, oil and gas development, groundwater pumping, and possible impacts from brush control treatments. Most of the groundwater in the area is used for industrial, rural, domestic and livestock purposes. Usable water for domestic and stock use originates in Quaternary Alluviums and the Triassic redbeds. The data in this area is limited by the few water wells are listed, the deepest is approximately 200 ft. To the west of the location in T. 12 S., R. 26 E., NMPM water can be as deep as 1050 ft. However that occurs on the west edge of that township and is included within the extent of the Artesian aquifer of the Roswell Underground Basin. Shows of water in an oil and gas well located in section 35, T. 12 S., R. 27 E., NMPM show water to a depth of 975 ft. with no shows of oil or gas to that depth.

### **3.10 General Topography/Surface Geology**

The topographic characteristics and/or regional setting of the project area are:

The proposed area is on top of a small escarpment. There are no major formable land features that will be disturbed in the project areas. The areas surrounding the well pad have slopes over 30 % on the north, south, and west sides of the 600' X 600' arch surveyed area. The area on the east side of the well pad has a much flatter terrain that is suitable for well pad and access road construction. There are two draws that could be impacted by the proposed actions and mitigation measures will be required to lessen any impacts to both draws.

### **3.11 Mineral Resources**

Construction material (caliche/gravel) for surfacing the access road and well pad could be obtained by the operator from a federal pit in the NE¼ of Section 26 - T. 12 S., R. 27 E., Chaves County, New Mexico.

### **3.12 Soil**

The Soil Survey of Chaves County, New Mexico, Southern Part (USDA Soil Conservation Service 1980) was used to describe and analyze impacts to soil from the proposed action. The soil map units represented in the project area are:

Tencee gravelly loam, 1 to 9 percent slopes (Te) Runoff of the unit soil is medium and the hazard of water erosion is moderate and the hazard of soil blowing is slight.

### **3.13 Watershed – Hydrology**

The watershed and hydrology in the area is affected by land and water use practices. The degree to which hydrologic processes are affected by land and water use depends on the location, extent, timing and the type of activity. Factors that currently cause short-lived alterations to the hydrologic regime in the area include livestock grazing management, recreational use activities, groundwater pumping and also oil and gas developments such as well pads, permanent roads, temporary roads, pipelines, and powerlines.

### **3.14 Vegetation**

This lease is within the Mixed Desert Shrub Plant Community as identified in the Roswell Resource Management Plan/Environmental Impact Statement (RMP/EIS). Appendix 11 of the Draft RMP/EIS describes the Desired Plant Community (DPC) concept and identifies the components of each community.

The Ecological Site Description for the well pad and access road is SD-3 Shallow (Southern Desertic Basins, Plains & Mountains).

### **3.15 Livestock Grazing/Range**

This grazing allotment is currently permitted to Calumet Ranch, allotment #65069. Current permitted use is 438 Animal Units (AU's) yearlong @ 34% public land for 1,787 Animal Unit Months (AUM's). Cattle & Horses are the class of livestock authorized.

### **3.16 Visual Resources**

Visual Resource Management (VRM) on public land is conducted in accordance with BLM Handbook 8410 and BLM Manual 8411.

### **3.17 Recreation**

The area around the proposed action site is primarily used by recreational visitors engaged in hunting, caving, sightseeing, driving for pleasure, off-highway vehicle use, and other recreational activities. Non-recreation visitors include oil and gas industrial workers and ranchers.

### **3.18 Cave/Karst**

While the proposed action is located in the *Medium Potential Karst Area*, no surface cave/karst features were observed in the immediate vicinity of the proposed actions.

### **3.19 Public Health and Safety**

The project will not be detrimental to the public health. The operator will insure that all phases of the project operations are conducted in workman like manner. Precautionary procedures and/or measures will be strictly adhered to in order provide a safe and sound working environment for the life of the well.

## **4.0 Environmental Consequences and Proposed Mitigation Measures**

### **Alternative A – No Action**

Under the No Action Alternative, the proposed wells would not be drilled. There would be no new impacts from oil and gas production to the resources. The No Action Alternative would result in the continuation of the current land and resource uses in the project area and is used as the baseline for comparison of alternatives.

### **Alternative B – Proposed Action**

Because the action now incorporates changes, this alternative will not be evaluated further.

## Alternative C - Preferred Alternative

A summary of potential surface disturbance is presented in Table 1.0. Descriptions of potential impacts on individual resources for action alternatives are presented in the following text. Also described are mitigation measures that could be incorporated by the BLM where appropriate as Conditions of Approval attached to the permit. The changes to the proposed action which resulted in development of Alternative C as the preferred alternative have reduced the potential impact to the environment which will result from this action.

Table 1.0 Summary of Disturbance

Facility	Number of Miles	Acreage of Disturbance	Duration of Disturbance
Well Pad		3.50	Long Term
New Road Construction	0.15	0.50	Long Term

Short-term impacts are those which can be stabilized or mitigated rapidly (within 5 years) Long-term impacts are those that would substantially remain for more than 5 years.

### 4.1 Air Quality

The area of the proposed action is considered a Class II air quality area. A Class II area allows moderate amounts air quality degradation. The primary sources of air pollution are dust from blowing wind on disturbed or exposed soil and exhaust emissions from motorized equipment.

### 4.1 Air Resources

#### 4.1.1 Direct and Indirect Effects

##### Air Quality

Air quality would temporary be directly impacted with pollution from exhaust emissions, chemical odors, and dust that would be caused by the motorized equipment used to construct the access road, well pad, and by the drilling rig that will be used to drill the well. Dust dissemination would discontinue upon completion of the construction phase of the access road and well pad. Air pollution from the motorized equipment would discontinue at the completion of the drilling phase of the operations. The winds that frequent the southeastern part of New Mexico generally disperse the odors and emissions. The impacts to air quality would be greatly reduced as the construction and drilling phases are completed. Other factors that currently affect air quality in the area include dust from livestock herding activities, dust from recreational use, and dust from use of roads for vehicular traffic.

The federal Clean Air Act requires that air pollutant emissions be controlled from all significant sources in areas that do not meet the national ambient Air quality standards. The New Mexico Air Quality Bureau (NMAQB) is responsible for enforcing the state and national ambient air quality standards in New Mexico.

Any emission source must comply with the NMAQB regulations (USDI, BLM 2003b). At the present time, the counties that lie within the jurisdictional boundaries of the Roswell Field Office are classified as in attainment of all state and national ambient air quality standards as defined in the Clean Air Act of 1972, as amended (USDI, BLM 2003b).

The Environmental Protection Agency (EPA), on October 17, 2006, issued a final ruling on the lowering of the National Ambient Air Quality Standard (NAAQS) for particulate matter ranging from 2.5 micron or smaller particle size. This ruling became effective on December 18, 2006, stating that the 24-hour standard for PM<sub>2.5</sub>, was lowered to 35 ug/m<sup>3</sup> from the previous standard of 65 ug/m<sup>3</sup>. This revised PM<sub>2.5</sub> daily NAAQS was promulgated to better protect the public from short-term particle exposure. The significant threshold of 35 ug/m<sup>3</sup> daily PM<sub>2.5</sub> NAAQS is not expected to be exceeded under the proposed action.

Over the last 10 years, the leasing of Federal oil and gas mineral estate in Roswell Field Office has resulted in an average total of 60 wells drilled on federal leases annually. These wells would contribute a small percentage of the total emissions (including GHG's) from oil and gas activities in New Mexico.

Potential impacts of development could include increased air borne soil particles blown from new well pads or roads, exhaust emissions from drilling equipment, compressors, vehicles, and dehydration and separation facilities, as well as potential releases of GHG and volatile organic compounds during drilling or production activities.

The amount of increased emissions cannot be quantified at this time since it is unknown how many wells might be drilled, the types of equipment needed if a well were to be completed successfully (e.g. compressor, separator, dehydrator), or what technologies may be employed by a given company for drilling any new wells. The degree of impact will also vary according to the characteristics of the geologic formations from which production occurs.

The reasonable and foreseeable development scenario developed for the Roswell RMP demonstrated 60 wells would be drilled annually for Federal minerals. Current APD permitting trends within the field office confirm that these assumptions are still accurate. This level of exploration and production would contribute a small incremental increase in overall hydrocarbon emissions, including GHGs, released into the planet's atmosphere. When compared to total national or global emissions, the amount released as a result of potential production from the proposed lease tracts would not have a measurable effect on climate change due to uncertainty and incomplete and unavailable information.

Consumption of oil and gas developed from the proposed well is expected to produce GHGs. Consumption is driven by a variety of complex interacting factors including energy costs, energy efficiency, availability of other energy sources, economics, demography, and weather or climate.

## **Climate**

The assessment of GHG emissions and climate change is in its formative phase. It is currently not feasible to know with certainty the net impacts from the proposed action on climate. The inconsistency in results of scientific models used to predict climate change at the global scale coupled with the lack of scientific models designed to predict climate change on regional or local scales, limits the ability to quantify potential future impacts of decisions made at this level. When further information on the impacts to climate change is known, such information would be incorporated into the BLM's planning and NEPA documents as appropriate.

### **4.1.2 Mitigation**

The EPA's inventory data breaks down the total US sources of GHG gases by major categories that include "Natural Gas Systems" and "Petroleum Systems." The inventory lists the contributions of natural gas and petroleum systems to total CO<sub>2</sub> and CH<sub>4</sub> emissions (natural gas and petroleum systems do not produce significant amounts of any of the other greenhouse gases). For Natural Gas Systems, the EPA categorizes emissions from distinct stages of the larger category of natural gas systems. These stages include field production, processing, transmission and storage, and distribution. The BLM has regulatory jurisdiction only over field production. Petroleum Systems sub-activities include production field operations, crude oil transportation, and crude oil refining. Within the petroleum systems emission categories, the BLM has authority to regulate production field operations.

The BLM's regulatory jurisdiction over field production of Natural Gas Systems and production field operations of Petroleum Systems has resulted in the development of "Best Management Practices (BMPs)" designed to reduce impacts to air quality by reducing all emissions from field production and operations. The future development of the lease parcels may be subject to appropriate conditions of approval (COAs) to reduce or mitigate GHG emissions. This may occur at the project level through additional analysis. Specific measures developed at the project stage would be incorporated as COAs in the approved APD, and are binding on the operator. Typical measures may include: flare hydrocarbon and gases at high temperatures in order to reduce emissions of incomplete combustion; water dirt roads during periods of high use in order to reduce fugitive dust emissions; require that vapor recovery systems be maintained and functional in areas where petroleum liquids are stored; and revegetate areas of the pad not required for production facilities to reduce the amount of dust from the pads.

The EPA data show that improved practices and technology and changing economics have reduced emissions from oil and gas exploration and development (Inventory of US Greenhouse Gas Emissions and Sinks: 1990-2006). One of the factors in this improvement is the adoption by industry of the Best Management Practices proposed by the EPA's Natural Gas Energy Star program. The Roswell Field Office will work with industry to facilitate the use of the relevant BMPs for operations proposed on federal mineral leases where such mitigation is consistent with agency policy.

## **4.2 Cultural Resources**

### **4.2.1 Direct and Indirect Impacts**

There should be no direct or indirect impacts to cultural resources in regard to this undertaking.

### **4.2.2 Mitigation**

A cultural resource inventory was conducted for the area of effect (09-R-013A), no Historic Properties were identified. No cultural resources will be affected.

## **4.3 Native American Religious Concerns**

To date, the area to be affected by project construction has not been identified by interested tribes as being of Tribal concern.

## **4.4 Environmental Justice**

### **4.4.1 Direct and Indirect Impacts**

No minority or low income populations would be directly affected in the vicinity of the proposed action. Indirect impacts could include impacts due to overall employment opportunities related to the oil and gas and service support industry in the region, as well as the economic benefits to State and County governments related to royalty payments and severance taxes.

### **4.4.2 Mitigation**

None

## **4.5 Invasive, Non-native Species**

### **4.5.1 Direct and Indirect Impacts**

The construction of an access road and well pad may unintentionally contribute to the establishment and spread of noxious weeds. Noxious weed seed could be carried to and from the project areas by construction equipment, the drilling rig and transport vehicles. The main mechanism for seed dispersion on the road and well pad is by equipment and vehicles that were previously used and or driven across or through noxious weed infested areas. The potential for the dissemination of invasive and noxious weed seed may be elevated by the use of construction equipment typically contracted out to companies that may be from other geographic areas in the region. Washing and decontaminating the equipment prior to transporting onto and exiting the construction areas would minimize this impact.

Impacts by noxious weeds will be minimized due to requirements for the company to eradicate the weeds upon discovery. Multiple applications may be required to effectively control the identified populations.

#### **4.5.2 Mitigation**

In the event noxious weeds are discovered during construction of the access road and well pad, measures will be taken to mitigate those impacts.

#### **4.6 Wildlife**

Some small wildlife species may be killed and their dens or nests destroyed during construction of the access road and well pad. The construction of the access road and well pad could cause fragmentation of wildlife habitat. The short-term negative impact to wildlife would occur during the construction phase of the operations would be due to noise and habitat destruction. In general, most wildlife species would become habituated to the new facilities. For other wildlife species with a low tolerance to activities, the operations on the well pad would continue to displace wildlife from the areas due to ongoing disturbances such as vehicle traffic and equipment maintenance. Upon abandonment of the well, the areas would revegetate and wildlife would return to previous levels.

##### **4.6.1 Direct and Indirect Impacts - None**

##### **4.6.2 Mitigation -**

The conditions of approval would alleviate most losses of wildlife species, such as; netting storage tanks and by installation and/or other modifications of cones on separator stacks.

#### **4.7 Wastes, Hazardous or Solid**

##### **4.7.1 Direct and Indirect Impacts**

The lease action falls under environmental regulations that impact exploration and production waste management and disposal practices and impose responsibility and liability for protection of human health and the environment from harmful waste management practices or discharges.

##### **4.7.2 Mitigation**

None.

#### **4.8 Water Quality:**

##### **Surface:**

##### **4.8.1A Direct and Indirect Impacts**

Surface disturbance from the construction of the well pad, closed loop system or steel tanks, access road, pipelines, and powerlines can result in degradation of surface water quality and groundwater quality from non-point source pollution, increased soil losses, and increased gully erosion.

Potential direct impacts that would occur due to construction of the well pad, access road, pipelines, and powerlines include increased surface water runoff and off-site sedimentation brought about by soil disturbance; increased salt loading and water quality impairment of surface waters; channel morphology changes due to road and pipeline crossings; and possible contamination of surface waters by produced water. The magnitude of these impacts to water resources would depend on the proximity of the disturbance to the drainage channel, slope aspect and gradient, degree and area of soil disturbance, soil character, duration and time within which construction activity would occur, and the timely implementation and success or failure of mitigation measures.

Direct impacts would likely be greatest shortly after the start of construction activities and would likely decrease in time due to natural stabilization, and reclamation efforts. Construction activities would occur over a relatively short period; therefore, the majority of the disturbance would be intense but short lived. Direct impacts to surface water quality would be minor, short-term impacts which may occur during storm flow events. Indirect impacts to water-quality related resources, such as fisheries, would not occur.

Petroleum products and other chemicals, accidentally spilled, could result in surface and groundwater contamination. Similarly, possible leaks from closed loop systems or steel tanks could degrade surface and ground water quality. Authorization of the proposed projects would require full compliance with BLM directives and stipulations that relate to surface and groundwater protection.

#### **4.8.2A Mitigation**

Spills or produced fluids (e.g., saltwater, oil, and/or condensate in the event of a breach, overflow, or spill from storage tanks) could result in contamination of the soil onsite, or offsite, and may potentially impact surface and groundwater resources in the long term.

A containment structure or earthen dike shall be constructed and maintained on the north, west, and south sides of the outside boundary of the well pad in order to protect nearby intermittent drainages. The containment structure or earthen dike shall be constructed two (2) feet high (the containment structure or earthen dike can be constructed higher than the two (2) feet high minimum). The containment structure or earthen dike is required so that if oilfield waste contaminant or product contaminant were leaked, spilled, and or released upon the well pad the oilfield waste contaminant or product contaminant shall be contained on the well pad.

If the well pad is constructed into a cut on a slope then the uphill side of the well pad will not require the construction of the containment structure or earthen dike, but the construction of the containment structure or dike will be required on the remaining three sides of the well pad which will extend into the uphill portion of the well pad.

## **B. Groundwater:**

### **4.8.1B Direct and Indirect Impacts**

Spills or produced fluids (e.g., saltwater, oil, and/or condensate in the event of a breach, overflow, or spill from storage tanks) could result in contamination of the soil onsite, or offsite, and may potentially impact surface and groundwater resources in the long term. Brine water, salt water, petroleum products and other chemicals, accidentally leaked through casing, could result in surface and groundwater contamination.

### **4.8.2B Mitigation**

The use of a closed system or steel tanks would reduce or eliminate seepage of drilling fluid into the soil and groundwater

The proposed mud program and water - protection casing string(s) will protect all anticipated usable water zones.

The casing and cementing requirements imposed on the proposed well would reduce or eliminate the potential for groundwater contamination from drilling muds and other surface sources.

## **4.9 General Topography/Surface Geology**

The surface disturbance anticipated from the construction of the well pad and access road would have minimal impacts on the area of the operations. No major land disturbance would occur from the cradle to grave operations associated with drilling the well.

### **4.9.1 Direct and Indirect Impacts**

Direct impacts would result from the removal of the surface soils during construction of the well pad and access road. The consequential earth moving activities would indirectly impact the vegetation and would cause the fragmentation of the surface habitat where small animals live in the project area.

### **4.9.2 Mitigation**

The inclusion of mitigation measures to conserve the landscape as much as possible in the Conditions of Approval would lessen the impacts from the surface disturbance activities on this project.

## **4.9 Mineral Resources – No impacts**

## **4.10 Soil**

### **4.10.1 Direct and Indirect Impacts**

The construction of the access road, well pad, and the use of the closed system or steel tanks would physically disturb the topsoil and would expose the substratum soil. (See -Table 1.0 for Summary of Disturbance).

Direct impacts resulting from these surface disturbing activities include removal of vegetation, exposure of the soil, mixing of horizons, compaction, loss of top soil productivity and susceptibility to wind and water erosion. Wind erosion would be expected to be a minor contributor to soil erosion with the possible exception of dust from vehicle traffic. These impacts could result in increased indirect impacts such as runoff, erosion and off-site sedimentation. Activities that could cause these types of indirect impacts include construction and operation of well site, access road, gas pipelines and production facilities.

Contamination of soil from drilling and production wastes mixed into soil or spilled on the soil surfaces could cause a long-term reduction in site productivity. Some of these direct impacts can be reduced or avoided through proper design, construction and maintenance and implementation of best management practices.

Additional soil impacts associated with lease development would occur when heavy precipitation causes water erosion damage. When water saturated segment(s) on the access road become impassable, vehicles may still be driven over the road. Consequently, deep tire ruts would develop. Where impassable segments are created from deep rutting, unauthorized driving may occur outside the designated route of the access road.

### **4.10.2 Mitigation**

The topsoil will be stripped to approximately 6 inches in depth within the area designated for construction of the well pad. The operator will stockpile the stripped topsoil on the southwest corner of the well pad. The topsoil will be used for interim and final reclamation of the surface disturbance created by the construction of the well pad. No topsoil will be used to construct and/or used for maintenance of a containment structure/earthen dike. The direct and indirect impacts to soil resulting from the surface disturbing activities will be mitigated through the instructions and/or orders for surface reclamation/restoration of the disturbed areas.

Upon abandonment of the well and/or when the access road is no longer in service the Authorized Officer shall issue instructions and/or orders for surface reclamation/restoration of the disturbed areas as described in the attached Conditions of Approval.

Road constructions requirements and regular maintenance would alleviate potential impacts to the access road from water erosion damage.

## **4.11 Watershed - Hydrology**

### **4.11.1 Direct and Indirect Impacts**

Construction and surface disturbance activities from the construction of the well pad, access road, pipelines and powerlines can result in long term and short term alterations to the hydrologic regime. Peak and low flow of perennial streams, ephemeral, and intermittent rivers and streams would be directly affected by an increase in impervious surfaces resulting from the construction of the well pad and road. The potential hydrologic effects to peak flow is reduced infiltration where surface flows can move more quickly to perennial or ephemeral rivers and streams, causing peak flow to occur earlier and be larger. Increased magnitude and volume of peak flow can cause bank erosion, channel widening, downward incision and disconnection from the floodplain. The potential hydrologic effects to low flow is reduced surface storage and groundwater recharge, resulting in reduced baseflow to perennial, ephemeral, and intermittent rivers and streams. The direct impact would be that hydrologic processes may be altered where the perennial, ephemeral, and intermittent river and stream system responds by changing physical parameters, such as channel configuration. These changes may in turn impact chemical parameters and ultimately the aquatic ecosystem.

Long term direct and indirect impacts to the watershed and hydrology would continue for the life of the well and would decrease once all well pad and road surfacing material has been removed and reclamation of the well pad, access road, pipelines, and powerlines has taken place. Short term direct and indirect impacts to the watershed and hydrology from access roads that are not surfaced with material would occur and would likely decrease in time due to reclamation efforts.

### **4.11.2 Mitigation**

The topsoil will be stripped to approximately 6 inches in depth within the area designated for construction of the well pad. The operator shall stockpile the stripped topsoil on the side of the well pad. The topsoil will be used for interim and final reclamation of the surface disturbance created by the construction of the well pad. Upon abandonment of the well and/or when the access road is no longer in service the Authorized Officer will issue instructions and/or orders for surface reclamation/restoration of the disturbed areas as described in the attached Conditions of Approval.

A containment structure or earthen dike shall be constructed and maintained on the north, west, and south sides of the outside boundary of the well pad in order to protect nearby intermittent drainages. The containment structure or earthen dike shall be constructed two (2) feet high (the containment structure or earthen dike can be constructed higher than the two (2) feet high minimum). No topsoil will be used to construct and/or used for maintenance of a containment structure/earthen dike. The containment structure or earthen dike is required so that if oilfield waste contaminant or product contaminant were leaked, spilled, and or released upon the well pad the oilfield waste contaminant or product contaminant shall be contained on the well pad.

If the well pad is constructed into a cut on a slope then the uphill side of the well pad will not require the construction of the containment structure or earthen dike, but the construction of the containment structure or dike will be required on the remaining three sides of the well pad which will extend into the uphill portion of the well pad.

#### **4.12 Vegetation**

##### **4.12.1 Direct and Indirect Impacts**

The construction of the access road and well pad would remove native vegetation. (See - Table 1.0 for Summary of Disturbance).

Vegetative recovery on the access road and well pad would depend on life of the well. Native vegetation would encroach on the well pad over time and where high volumes of vehicular traffic occur the areas driven over would remain unvegetated. If it is a producing well, reclamation would not commence until the well is a depleted producer and is plugged and abandoned. If the well is drilled as a dry hole and is plugged, the reclamation of the access road and well pad would immediately follow. The impacts to the vegetation would be short-term if the reclamation efforts of the disturbed areas have re-vegetated successfully within a few years.

##### **4.12.2 Mitigation**

No impact to vegetation is anticipated. However measures will be taken in the event impacts to vegetation are found.

#### **4.13 Livestock Grazing/Range**

##### **4.13.1 Direct and Indirect Impacts**

During the construction and drilling phases of the well, there would be some minor disruption of livestock grazing in the pastures, specifically on the well pad. The increase of vehicle traffic within the project areas could lead to conflicts with livestock.

##### **4.13.2 Mitigation**

If any conflicts with livestock do arise as a result of the access road and well pad construction, mitigation measures will be taken, and consultation with the allottee will mitigate those impacts.

#### **4.14 Recreation**

Oil and gas activities would have little or no affect on recreational opportunities within this area. Large blocks of public land would allow recreationist to use public land and avoid the oil and gas facilities within the area.

##### **4.14.1 Direct and Indirect Impacts**

None

#### **4.14.2 Mitigation**

None

#### **4.15 Visual Resources**

Facilities, such as condensate and produced water or oil storage tanks that rise above eight feet, would provide a geometrically strong vertical and horizontal visual contrast in form and line to the characteristic landscape and vegetation, which have flat, horizontal to slightly rolling form and line. The construction of an access road, well pad and other ancillary facilities, would slightly modify the existing area visual resources. The proposed action is located in an area designated VRM Class IV.

The objective of Class IV is to: "Provide for management activities which require major modification of the existing landscape character...Every attempt, however, should be made to reduce or eliminate activity impacts through careful location, minimal disturbance, and repeating the basic landscape elements."

Through color manipulation, by painting well facilities to blend with the rolling to flat vegetative and/or landform setting with a gray-green to brownish color, the view is expected to favorably blend with the form, line, color and texture of the existing landscape. The flat color Juniper Green from the standard environmental colors also closely approximates the brownish color of the setting. All facilities, including the meter building, would be painted this color.

Cumulative adverse visual impacts can be avoided by gradually moving into a more appropriate vegetative/landform setting color scheme.

##### **4.15.1 Direct and Indirect Impacts**

Through color manipulation, by painting well facilities to blend with the rolling to flat vegetative and/or landform setting with a gray-green to brownish color, the view is expected to favorably blend with the form, line, color and texture of the existing landscape

##### **4.15.2 Mitigation**

The flat color Juniper Green from the Standard Environmental Colors Chart is to be used on all facilities to closely approximates the vegetation within the setting. All facilities, including the meter building, would be painted this color.

#### **4.16 Cave/Karst**

While the proposed action is located in the *Medium Potential Karst Area*, no surface cave/karst features were observed in the immediate vicinity of the proposed actions.

#### **4.16.1 Direct and Indirect Impacts**

None

#### **4.16.2 Mitigation**

None

#### **4.17 Public Health and Safety**

##### **4.17.1 Direct and Indirect Impacts**

The construction and drilling operations will be conducted in a safe workman like manner and no impacts are anticipated to occur when the operations are conducted in a professional constructive manner.

##### **4.17.2 Mitigation**

None

#### **4.18 Cumulative Impacts**

The leased area of the proposed action has been industrialized with oil and gas well development. The surface disturbance for each project that has been permitted has created a spreading out of land use fragmentation. The cumulative impacts fluctuate with the gradual reclamation of well abandonments and the creation of new additional surface disturbances in the construction of new access roads and well pads. The ongoing process of restoration of abandonments and creating new disturbances for drilling new wells gradually accumulates as the minerals are extracted from the land. Preserving as much land as possible and applying appropriate mitigation measures will alleviate the cumulative impacts.

Due to the absence of regulatory requirements to measure GHG emissions and the variability of oil and gas activities on federal minerals, it is not possible to accurately quantify potential GHG emissions in the affected areas as a result of making the proposed tracts available for leasing. Some general assumptions however can be made: leasing the proposed tracts may contribute to drilling new wells.

The New Mexico Greenhouse Gas Inventory and Reference Case Projection 1990-2020 (Inventory) estimates that approximately 17.3 million metric tons of natural gas and 2.3 million metric tons of natural gas emissions are projected by 2010 as a result of oil and natural gas production, processing, transmission and distribution. As of 2008, there were 23,196 oil wells and 27, 778 gas wells in New Mexico.

There are approximately 4,500 existing oil and gas wells in the Roswell Field Office, which account for approximately 9 percent of the total wells in New Mexico. Therefore, GHG emissions from all wells within the field office amount to approximately 1.764 metric tons annually ( $19.6 \text{ mmt} \times 0.09 = 1.764 \text{ mmt}$ ). Federal oil and gas wells amount to approximately 40 percent of the wells within the field office (see Appendix 7 of the 2006 Draft Special Status Species RMP Amendment.). Annual GHG emissions from federal oil and gas wells are approximately 0.71 metric tons ( $1.763 \text{ mmt} \times 0.4 = 0.71 \text{ mmt}$ ).

These totals, when compared to the estimates used for the cumulative analysis previously referenced, show that wells drilled on federal leases wells may be expected to produce approximately 3.6 percent of the GHG emissions produced from wells drilled in New Mexico. This amount of GHG emissions represents an incremental contribution to the total emissions and is also insignificant when compared to global GHG emission levels. This incremental contribution to global GHG gases cannot be translated into incremental effects on climate change globally or in the area of these site-specific actions. As oil and gas and natural gas production technology continues to improve in the future, one assumption is that it may be feasible to further reduce GHG emissions.

The lack of scientific tools designed to predict climate change on regional or local scales limits the ability to quantify potential future impacts. However, potential impacts to natural resources and plant and animal species due to climate change are likely to be varied, including those in the southwestern United States.

For example, if global climate change results in a warmer and drier climate, increased particulate matter impacts could occur due to increased windblown dust from drier and less stable soils. Cool season plant species' spatial ranges are predicted to move north and to higher elevations, and extinction of endemic threatened/endangered plants may be accelerated.

Due to loss of habitat or competition from other species whose ranges may shift northward, the population of some animal species may be reduced or increased. Less snow at lower elevations would likely impact the timing and quantity of snowmelt, which, in turn, could impact water resources and species dependant on historic water conditions. Forests at higher elevations in New Mexico, for example, have been exposed to warmer and drier conditions over a ten year period. Should the trend continue, the habitats and identified drought sensitive species in these forested areas and higher elevations may also be more affected by climate change.

While it is likely that there will be no significant cumulative impact from the proposed actions, continued oil and gas development, and other surface-disturbing activities in these areas, may potentially have negative cumulative impacts on vegetation, soil, water, livestock, wildlife and visual resources.

Within the lease there are currently 0 wells (both active and inactive) with 0 acres of surface disturbance. Up to 10 additional wells might be drilled within the lease with associated 86 acres of surface disturbance. The total number of wells that might be drilled cannot be stated with certainty. The number wells that might be drilled are dependent on the success of the first wells drilled, the amount and quality of the fluid minerals produced, and production techniques.

Much of the land adjacent to the lease has been leased for fluid minerals. Within one mile of the project area there are 0 existing active wells. New, producing wells within the lease will likely spur interest in the surrounding area. The number of wells that might be drilled cannot be determined at this time.

#### **4.18.1 Residual Impacts**

Direct impacts to the local environment detailed above remain throughout the life of the proposed operation; however, these impacts would be substantially reduced by mitigation measures.

#### **4.18.2 Mitigation Measures**

Mitigation measures have been identified and have been incorporated into stipulations and are made part of the permit. These measures include but are not limited to dust control, noxious weed control, road construction, maintenance, and termination.

### **5.0 Consultation/Coordination**

This section includes individuals or organizations from the public, the interdisciplinary team that were present at the onsite and permittees that were contacted during the development of this document.

#### **Summary of Public Contacts Made During Preparation of Document and Interdisciplinary Team**

Public Contact	Title	Organization	Present at Onsite?
Debbie Caffall	Regulatory Agent	Yates Petroleum Corporation	Present
ID Team Member	Title	Organization	Present at Onsite?
Richard G. Hill	Environmental Protection Specialist	RFO	Present

### **6.0 Appendices**

The Roswell Field Office; Exhibit A - Pecos District-RFO, Conditions of Approval, Exhibit B - Well, Location Map and the special requirements derived from this EA, would be applied to this proposed action to minimize the surface disturbance and conserve the surrounding landscape.

#### **6.1.0 References**

EPA Inventory of US Greenhouse Gas Emissions and Sinks: 1990-2006. Environmental Protection Agency, Washington, D.C.

EPA, Natural Gas Star Program (2006 data) at: <http://www.epa.gov/gasstar/accomplish.htm>.  
Environmental Protection Agency, Washington, D.C.

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U.S. Department of the Interior, Bureau of Land Management. 2008. Special Status Species Resource Management Plan Amendment and Record of Decision. Roswell, New Mexico.

## **7.0 Other Supporting Information**



United States Department of the Interior  
BUREAU OF LAND MANAGEMENT  
Pecos District

Carlsbad Field Office  
620 E. Greene  
Carlsbad, NM 88220

Roswell Field Office  
2909 W. Second St.  
Roswell, NM 88021

[www.nm.blm.gov](http://www.nm.blm.gov)



In reply refer to  
1310 (500)

NOV 13 2006

Dear Operator:

Both the Bureau of Land Management (BLM) and the oil and gas industry recognize that mineral development is one of many uses on the public lands in New Mexico. Since oil and gas development is only meant to be a temporary use of the surface, interim reclamation of disturbed areas not needed for active support of production operations is a very important 'best management practice'. In an effort to insure continued access and availability of public minerals, it is in the best interests of the oil and gas industry and BLM to work together towards reclaiming lands not actively used for safe and economical production.

Recognizing that a "one size fits all" approach is not practical, I am asking our lessees and operators to work with BLM staff to find solutions on reclaiming disturbed areas. In keeping with best management practices, locations and roads should have the smallest surface impact possible while balancing the need for safety, terrain, depth of the well and good engineering practices. As I have indicated at our working group meetings, where terrain permits, roads and locations may be built with minimal or no caliche for surfacing. The BLM acknowledges that there will be areas, such as in sandy soils, where surfacing materials may be necessary for a well pad, or portions of the road. These details can be worked out at the time of the onsite inspection.

At the time reserve pits are to be reclaimed, operators should work with a BLM surface management specialist to devise the best strategies to reduce the size of the location. BLM is aware that safety requirements do not allow vehicles within the area of guy anchors. Any reductions should allow for remedial well operations, as well as safe and efficient removal of oil and gas. We also recognize that pad sizes will vary depending upon whether a tank battery is present, onsite terrain and soils at each location. Our goal is to minimize the footprint required for safe operations, while achieving our commitment to multiple land use.

During reclamation, the removal of caliche from a road and location when that material is no longer necessary is important to increasing the success of revegetating the site. Removed caliche may be used in road repairs, or for building other roads and locations. We also recognize that in sandy dunal areas significant interim reclamation may not be feasible. In addition, in order to operate the well or complete workover operations, it may be necessary to drive, park and operate on restored interim vegetation within the previously disturbed area. Disturbing revegetated areas for production or workover operations will be allowed, since they will usually do little or no damage to the surface. If there is significant disturbance and loss of vegetation, the area will

# EXHIBIT A

## PECOS DISTRICT - RFO CONDITIONS OF APPROVAL

December, 2008

OPERATORS NAME: Yates Petroleum Corporation  
LEASE NO.: NMNM-120348  
WELL NAME & NO: Kilauea "BMZ" Federal Com. #1  
SURFACE HOLE FOOTAGE: 1550' FSL & 860' FEL  
LOCATION: Section 35, T. 12 S., R. 27 E., NMPM  
COUNTY: Chaves County, New Mexico

### GENERAL PROVISIONS

The approval of the Application For Permit To Drill (APD) is in compliance with all applicable laws and regulations: 43 Code of Federal Regulations 3160, the lease terms, Onshore Oil and Gas Orders, Notices To Lessees, New Mexico Oil Conservation Division (NMOCD) Rules, National Historical Preservation Act As Amended, and instructions and orders of the Authorized Officer. Any request for a variance shall be submitted to the Authorized Officer on Form 3160-5, Sundry Notices and Report on Wells.

### I. PERMIT EXPIRATION

If the permit terminates prior to drilling and drilling cannot be commenced within 60 days after expiration, an operator is required to submit Form 3160-5, Sundry Notices and Reports on Wells, requesting surface reclamation requirements for any surface disturbance. However, if the operator will be able to initiate drilling within 60 days after the expiration of the permit, the operator must have set the conductor pipe in order to allow for an extension of 60 days beyond the expiration date of the APD (Filing of a Sundry Notice is required for this 60 day extension).

### II. ARCHAEOLOGICAL, PALEONTOLOGY & HISTORICAL SITES

Any cultural and/or paleontological resource discovered by the operator or by any person working on the operator's behalf shall immediately report such findings to the Authorized Officer. The operator is fully accountable for the actions of their contractors and subcontractors. The operator shall suspend all operations in the immediate area of such discovery until written authorization to proceed is issued by the Authorized Officer. An evaluation of the discovery shall be made by the Authorized Officer to determine the appropriate actions that shall be required to prevent the loss of significant cultural or scientific values of the discovery. The operator shall be held responsible for the cost of the proper mitigation measures that the Authorized Officer assesses after consultation with the operator on the evaluation and decisions of the discovery. Any unauthorized collection or disturbance of cultural or paleontological resources may result in a shutdown order by the Authorized Officer.

### **III. NOXIOUS WEEDS**

The operator shall be held responsible if noxious weeds become established within the areas of operations (access road and/or well pad). Weed control shall be required on the disturbed land where noxious weeds exist, which includes the roads, pads, associated pipeline corridor, and adjacent land affected by the establishment of weeds due to this action. The operator shall consult with the Authorized Officer for acceptable weed control methods, which include following EPA and BLM requirements and policies.

### **IV. CONSTRUCTION**

#### **A. NOTIFICATION:**

The BLM shall administer compliance and monitor construction of the access road and well pad. Notify the Roswell Field Office at (505) 627-0247 at least 3 working days prior to commencing construction of the access road and/or well pad.

When construction operations are being conducted on this well, the operator shall have the approved Application for Permit to Drill and Conditions of Approval on the well site and they shall be made available upon request by the Authorized Officer.

#### **B. TOPSOIL:**

The topsoil will be stripped to approximately 6 inches in depth within the area designated for construction of the well pad. The topsoil will be used for interim and final reclamation of the surface disturbance created by the construction of the well pad. The topsoil shall be stockpiled on the southwest corner of the well pad.

#### **C. CLOSED LOOP SYSTEM: No reserve pit shall be used.**

The operator shall use a **Closed Loop System** instead of a reserve pit. The operator shall properly dispose of drilling contents at an authorized disposal site.

#### **D. FEDERAL MINERAL MATERIALS PIT:**

If the operator elects to surface the access road and/or well pad, payment shall be made to the BLM prior to removal of any federal mineral materials. Call the Roswell Field Office at (505) 627-0236.

#### **E. WELL PAD SURFACING:**

Surfacing of the well pad is not required.

If the operator elects to surface the well pad, the surfacing material may be required to be removed at the time of reclamation.

The well pad shall be constructed in a manner which creates the smallest possible surface disturbance, consistent with safety and operational need.

#### **F. ON LEASE ACCESS ROADS:**

##### **Road Egress and Ingress**

The on-lease access road shall be constructed to access the southeast corner of the well pad.

##### **Road Width**

The access road shall have a driving surface that creates the smallest possible surface disturbance and does not exceed fourteen (14) feet in width. The maximum width of surface disturbance, when constructing the access road, shall not exceed thirty (30) feet.

##### **Surfacing**

Surfacing material is not required on the new access road driving surface. If the operator elects to surface the new access road or pad, the surfacing material may be required to be removed at the time of reclamation.

Where possible, no improvements should be made on the unsurfaced access road other than to remove vegetation as necessary, road irregularities, safety issues, or to fill low areas that may sustain standing water.

The Authorized Officer reserves the right to require surfacing of any portion of the access road at any time deemed necessary. Surfacing may be required in the event the road deteriorates, erodes, road traffic increases, or it is determined to be beneficial for future field development. The surfacing depth and type of material will be determined at the time of notification.

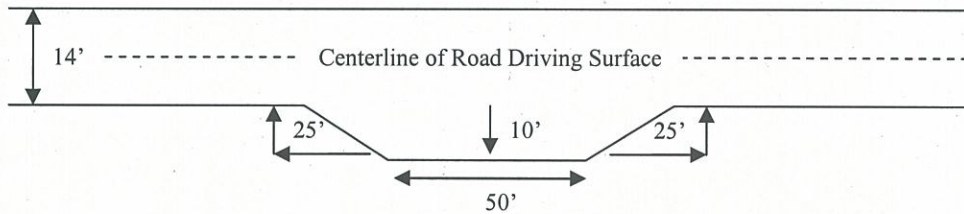
##### **Crowning**

Crowning shall be done on the access road driving surface. The road crown shall have a grade of approximately 2% (i.e., a 1" crown on a 14' wide road). The road shall conform to Figure 1; cross section and plans for typical road construction.

##### **Turnouts**

Vehicle turnouts shall be constructed on the road. Turnouts shall be intervisible with interval spacing distance less than 1000 feet. Turnouts shall be constructed on all blind curves. Turnouts shall conform to the following diagram:

### Standard Turnout – Plan View

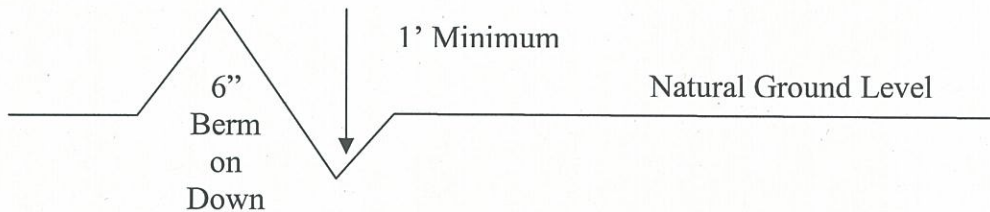


### Drainage

Drainage control systems shall be constructed on the entire length of road (e.g. ditches, sidehill outsloping and insloping, lead-off ditches, culvert installation, and low water crossings).

A typical lead-off ditch has a minimum depth of 1 foot below and a berm of 6 inches above natural ground level. The berm shall be on the down-slope side of the lead-off ditch.

### Cross Section Of Typical Lead-off Ditch



All lead-off ditches shall be graded to drain water with a 1 percent minimum to 3 percent maximum ditch slope. The spacing interval are variable for lead-off ditches and shall be determined according to the formula for spacing intervals of lead-off ditches, but may be amended depending upon existing soil types and centerline road slope (in %);

### Formula For Spacing Interval Of Lead-off Ditches

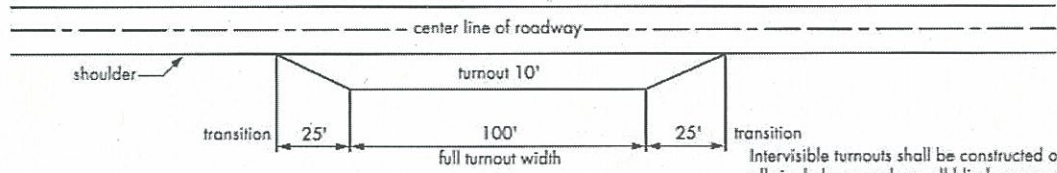
Example - On a 4% road slope that is 400 feet long, the water flow shall drain water into a lead-off ditch. Spacing interval shall be determined by the following formula:

$$400 \text{ foot road with } 4\% \text{ road slope: } \frac{400'}{4\%} + 100' = 200' \text{ lead-off ditch interval}$$

### Public Access

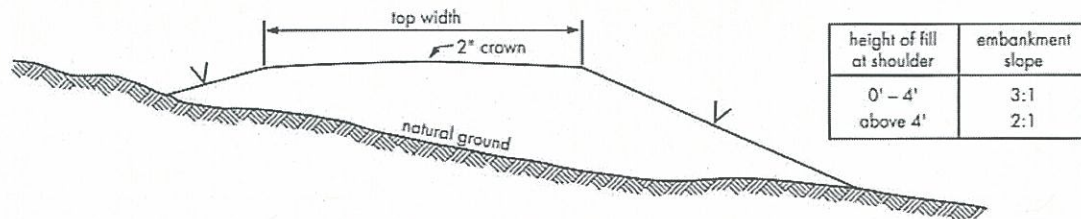
Public access on this road shall not be restricted by the operator without specific written approval granted by the Authorized Officer.

**Figure 1 – Cross Sections and Plans For Typical Road Sections**

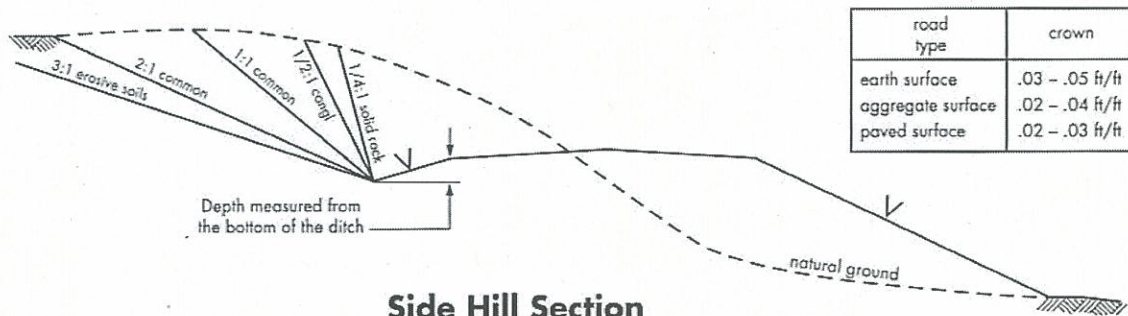


Intervisible turnouts shall be constructed on all single lane roads on all blind curves with additional turnouts as needed to keep spacing below 1000 feet.

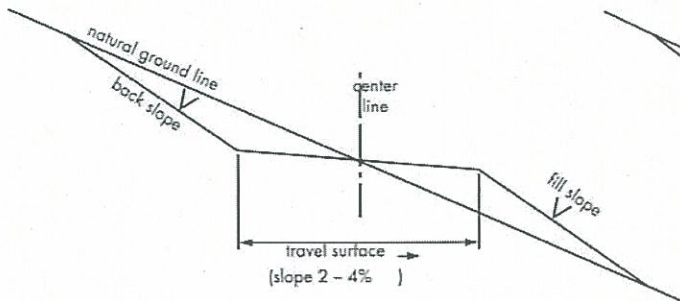
**Typical Turnout Plan**



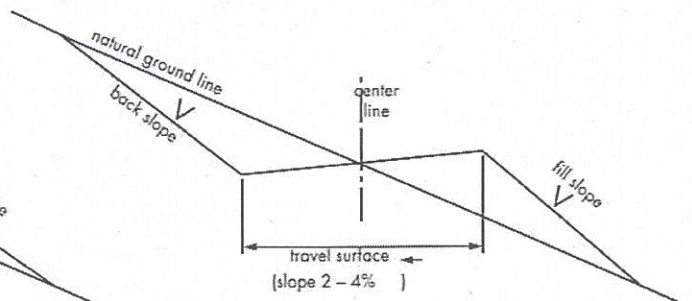
**Embankment Section**



**Side Hill Section**



**Typical Outsloped Section**



**Typical Insloped Section**

## **V. DRILLING**

### **A. DRILLING OPERATIONS REQUIREMENTS**

- 1 Call the Roswell Field Office, 2909 West Second St., Roswell, NM 88201. During office hours call (575) 627-0205 or after office hours call (575) 910-6024. Engineer on call during office hours call (575) 627-0275 or after office hours call (575) 626-5749.
2. The BLM is to be notified a minimum of 24 hours in advance for a representative to witness:
  - a. Spudding well
  - b. Setting and/or Cementing of all casing strings

The BLM is to be notified a minimum of 4 hours in advance for a representative to witness:

#### **BOPE Tests**

3. Unless the production casing has been run and cemented or the well has been properly plugged, the drilling rig shall not be removed from over the hole without prior approval.
4. Include the API Number assigned to well by NMOCD on the subsequent report of setting the first casing string.
5. The operator will accurately measure the drilling rate in ft/min to set the base of the usable water protection casing string(s) opposite competent rock. The record of the drilling rate along with the caliper-gamma ray-neutron well log run to surface will be submitted to this office as well as all other logs run on the borehole 30 days from completion
6. Air, air-mist or fresh water and non toxic drilling mud shall be used to drill to the base of the usable water protection casing string(s). Any polymers used will be water based and non-toxic.

### **B. CASING**

1. The 8-5/8 inch usable water protection casing string shall be set at approximately 1000 ft. in competent bedrock.

If not the operator is required to set usable water protecting casing in the next thick competent bedding (i.e. 15 to 25 ft or greater) encountered and cemented to the surface.

- a. If cement does not circulate to the surface, the Roswell Field Office shall be notified and a temperature survey utilizing an electronic type temperature survey with a surface log readout will be used or a cement bond log shall be run to verify the top of the cement.

b. Wait on cement (WOC) time for a primary cement job will be a minimum 18 hours for a water basin or 500 pounds compression strength, whichever is greater. (This is to include the lead cement).

c. Wait on cement (WOC) time for a remedial job will be a minimum of 4 hours after bringing cement to surface or 500 pounds compression strength, whichever is greater.

d. If cement falls back, remedial action will be done prior to drilling out that string.

2. The minimum required fill of cement behind the 5-1/2 inch production casing is **sufficient to tie back 500 feet above the uppermost perforation in the pay zone.** If cement does not circulate, a temperature survey utilizing an electronic type temperature survey with a surface log readout will be used or a cement bond log shall be run to verify the top of the cement.

3. If hardband drill pipe is rotated inside casing, returns will be monitored for metal. If metal is found in samples, drill pipe will be pulled and rubber protectors which have a larger diameter than the tool joints of the drill pipe will be installed prior to continuing drilling operations.

4. All casing shall be new or reconditioned and tested casing and meet API standards for new casing. The use of reconditioned and tested casing shall be subject to approval by the authorized officer. Approval will be contingent upon the wall thickness of any casing being verified to be at least 87-1/2 per cent of the nominal wall thickness of new casing.

#### **C. PRESSURE CONTROL:**

1. Before drilling below the 8-5/8 inch surface casing shoe, the blowout preventer assembly shall consist of a minimum of One Annular Preventer or Two Ram-Type Preventers and a Kelly Cock/Stabbing Valve.

2. Before drilling below the 8-5/8 inch surface casing shoe, minimum working pressure of the blowout preventer and related equipment (BOPE) shall be **3000** psi.

3. The BOPE shall be installed before drilling below the 8-5/8 inch surface casing shoe and shall be tested as described in Onshore Order No. 2. Any equipment failing to test satisfactorily shall be repaired or replaced.

a. The BLM Roswell Field office shall be notified a minimum of 4 hours in advance for a representative to witness the tests.

b. The tests shall be done by an independent service company.

c. The BOP/BOPE test shall include a low pressure test from 250 to 300 psi. The test will be held for a minimum of 10 minutes if test is done with a test plug and 30 minutes without a test plug.

d. All tests are required to be recorded on a calibrated test chart. A copy of the BOP/BOPE test chart and a copy of independent service company test will be submitted to the BLM Roswell Field Office at 2909 West Second Street, Roswell, New Mexico 88201.

e. Testing fluid must be water or an appropriate clear liquid suitable for sub-freezing temperatures. Use of drilling mud for testing is not permitted since it can mask small leaks.

f. Testing must be done in a safe workman like manner. Hard line connections shall be required.

## **VI. PRODUCTION**

### **A. WELL STRUCTURES & FACILITIES**

#### **Placement of Production Facilities**

Production facilities should be placed on the well pad to allow for maximum interim recontouring and revegetation of the well location.

#### **Containment Structures**

1. The containment structure shall be constructed to hold the capacity of the entire contents of the largest tank, plus 24 hour production, unless more stringent protective requirements are deemed necessary by the Authorized Officer.

2. A containment structure or earthen dike shall be constructed and maintained on the north, west, and south sides of the outside boundary of the well pad in order to protect nearby intermittent drainages. The containment structure or earthen dike shall be constructed two (2) feet high (the containment structure or earthen dike can be constructed higher than the two (2) feet high minimum). The topsoil shall not be used for the construction of the containment structure or earthen dike.

#### **Painting Requirement**

All above-ground structures including meter housing that are not subject to safety requirements shall be painted a flat non-reflective paint color, Juniper Green, from the Standard Environmental Color Chart.

## **VII. INTERIM RECLAMATION & RESERVE PIT CLOSURE**

### **A. INTERIM RECLAMATION**

If the well is a producer, interim reclamation shall be conducted on the well site within 6 months of well completion in accordance with Onshore Order Number 1, XII. B. Reclamation. The operator shall submit a Sundry Notices and Reports on Wells (Notice of Intent), Form 3160-5, prior to conducting interim reclamation.

During the life of the development, all disturbed areas not needed for active support of production operations should undergo "interim" reclamation in order to minimize the environmental impacts of development on other resources and uses.

During reclamation, the removal of caliche is important to increasing the success of revegetating the site. Removed caliche may be used in road repairs, fire walls or for building other roads and locations. In addition, in order to operate the well or complete workover operations, it may be necessary to drive, park and operate on restored interim vegetation within the previously disturbed area. Disturbing revegetated areas for production or workover operations will be allowed. If there is significant disturbance and loss of vegetation, the area will need to be revegetated. Communicate with the appropriate BLM office for any exceptions/exemptions if needed.

## **B. SEED MIXTURE**

The operator shall work with BLM surface management specialists to devise the best strategies to reduce the size of the location. Any reductions should allow for remedial well operations, as well as safe and efficient removal of oil and gas.

The reclamation shall include recontoured, all trash removed, and reseeded as follows:

### **Loamy, SD-3 Ecological Site, Loamy CP-2 , Gyp Upland CP-2**

#### Common Name Pounds of Pure and Preferred Variety Scientific Name Live Seed Per Acre

Blue grama,	( <i>Bouteloua gracilis</i> )	4.00 LBS.
Sideoats grama,	( <i>Bouteloua curtipendula</i> )	1.00 LB.
Sand dropseed	( <i>Sporobolus cryptandrus</i> )	0.50 LB.
Vine mesquite	( <i>Panicum obtusum</i> )	1.00 LB.
Plains bristlegrass	( <i>Setaria macrostachya</i> )	1.00 LB.
Indian blanketflower	( <i>Gaillardia aristata</i> )	0.50 LB.
Desert or Scarlet	( <i>Sphaeralcea ambigua</i> )	1.00 LB.
Globemallow or	( <i>S. coccinea</i> )	
Annual sunflower	( <i>Helianthus annuus</i> )	<u>0.75 LB.</u>
TOTAL POUNDS PURE LIVE SEED (pls) PER ACRE		9.75 LBS.

Certified Weed Free Seed. If one species is not available, increase ALL others proportionately. Use No Less than 4 species, including one forb. No less than 9.75 pounds (pls) per acre shall be applied

## **VIII. FINAL ABANDONMENT & REHABILITATION REQUIREMENTS**

Upon abandonment of the well and/or when the access road is no longer in service the Authorized Officer shall issue instructions and/or orders for surface reclamation and restoration of all disturbed areas.



**BUREAU OF LAND MANAGEMENT  
CASE RECORDATION  
(LIVE) SERIAL REGISTER PAGE**

Run Date/Time: 09/22/08 01:33 PM

Page 1 of 1

**01 12-22-1987;101STAT1330;30USC181 ET SEQ**  
**Case Type 312021: O&G LSE COMP PD -1987**  
**Commodity 459: OIL & GAS L**  
**Case Disposition: AUTHORIZED**

**Total Acres**  
**1,520.000**

**Serial Number**  
**NMNM-- - 120348**

**Serial Number: NMNM-- - 120348**

Name & Address			Int Rel	%Interest
ABO PETRO CORP	105 S 4TH ST	ARTESIA NM 88210	LESSEE	20.000000000
MYCO INDUSTRIES INC	105 S 4TH ST	ARTESIA NM 88210	LESSEE	20.000000000
YATES DRILLING CO	105 S 4TH ST	ARTESIA NM 88210	LESSEE	20.000000000
YATES PETRO CORP	105 S 4TH ST	ARTESIA NM 88210	LESSEE	40.000000000

**Serial Number: NMNM-- - 120348**

Mer Twp Rng	Sec	SType	Nr Suff	Subdivision	District/Resource Area	County	Mgmt Agency
23 0120S 0270E 025	ALIQ			N2NE,NW,S2;	ROSWELL FO	CHAVES	BUREAU OF LAND MGMT
23 0120S 0270E 026	ALIQ			N2,SW,N2SE;	ROSWELL FO	CHAVES	BUREAU OF LAND MGMT
23 0120S 0270E 035	ALIQ			S2NE,NW,SE;	ROSWELL FO	CHAVES	BUREAU OF LAND MGMT

**Serial Number: NMNM-- - 120348**

Act Date	Code	Action	Action Remarks	Pending Office
02/28/2008	387	CASE ESTABLISHED	200804007;	
04/01/2008	299	PROTEST FILED	/1/ NMDGF	
04/01/2008	299	PROTEST FILED	/2/ W ENVR LAW CTR	
04/01/2008	299	PROTEST FILED	/3/WILDEARTH GUARDIAN	
04/16/2008	191	SALE HELD		
04/16/2008	267	BID RECEIVED	\$425600.00;	
07/11/2008	298	PROTEST DISMISSED	/2/	
07/11/2008	298	PROTEST DISMISSED	/3/	
07/15/2008	237	LEASE ISSUED		
07/15/2008	298	PROTEST DISMISSED	/1/	
07/15/2008	974	AUTOMATED RECORD VERIF	MJD	
08/01/2008	496	FUND CODE	05;145003	
08/01/2008	530	RLTY RATE - 12 1/2%		
08/01/2008	868	EFFECTIVE DATE		
07/31/2018	763	EXPIRES		

**Serial Number: NMNM-- - 120348**

Line Nr	Remarks
02	STIPULATIONS ATTACHED TO LEASE:
03	SENM-S-17 SLOPES OR FRAGILE SOILS
04	SEC. 35
05	SENM-S-18 STREAMS, RIVERS, AND FLOODPLAINS
06	SEC. 26 & 35
07	SENM-S-19 PLAYAS AND ALKALI LAKES
08	SEC.25: S2NWNE,S2SW
09	SEC.26: S2NENE
10	SENM-S-20 SPRINGS, SEEPS AND TANKS
11	SEC.25: S2SESW

NO WARRANTY IS MADE BY BLM  
FOR USE OF THE DATA FOR  
PURPOSES NOT INTENDED BY BLM

## BUREAU OF LAND MANAGEMENT

## BOND ABSTRACT

BLM BOND NO: NMB000434  
DOCUMENT ID: B002953  
CASE TYPE: 310434 O&G BOND ALL LANDS

DISPOSITION: ACCEPTED

## NAME AND ADDRESS OF BOND PARTIES

B86062543 BONDED PRINCIPAL  
YATES PETROLEUM CORP  
105 S 4TH ST  
ARTESIA NM 88210

## NAME AND ADDRESS OF SURETY PARTIES

S20030005001 SURETY  
U.S. SPECIALTY INSURANCE  
COMPANY  
13403 NORTHWEST FREEWAY  
HOUSTON TX 770406094

## SERIAL NUMBER(s):

COC 058371, COC 059223, COC 061491, COC 061496, COC 067387, MTM 079554

BOND AREA: NATIONWIDE  
TYPE OF LAND: FEDERAL-ALL RIGHTS  
BOND TYPE: SURETY

STATES COVERED:  
BOND AMOUNT:\$150,000

## BONDED ACTIVITY/PURPOSE

GENERAL LSE/DRILLING  
EXPLORATION  
PROTECTION SURFACE OWNER  
OPERATOR

## COMMODITY(IES)

OIL &amp; GAS L

ACTION CODE	ACTION DATE	ACTION TAKEN	ACTION REMARKS	PENDING
468	07/26/2006	BOND FILED		
478	07/26/2006	RIDER FILED		
469	10/19/2006	BOND ACCEPTED	EFF 07/26/2006	
479	10/19/2006	RIDER ACCEPTED	EFF 07/16/2006	
974	10/19/2006	AUTOMATED RECORD VERIF	SSP	

## GENERAL REMARKS

## LINE # REMARK

001 REPLACES BLM BOND NO. NM2811 - SURETY BOND NO. 58 96 48



# United States Department of the Interior

## BUREAU OF LAND MANAGEMENT

Pecos District  
Roswell Field Office  
2909 West Second Street  
Roswell, New Mexico 88201-2019  
[www.nm.blm.gov](http://www.nm.blm.gov)



In Reply Refer To:  
3162.4  
NM-120348

OCT 07 2008

CERTIFIED—RETURN RECEIPT REQUESTED  
7000 1530 0003 7687 0230

Yates Petroleum Corporation  
ATTN: Mrs. Debbie L. Caffall  
105 South Fourth Street  
Artesia, New Mexico 88210

Dear Mrs. Caffall:

The Notice of Staking for the following well, was received on September 17, 2008:

Kilauea "BMZ" Federal Com. #1  
Section 35, T. 12 S., R. 27 E.;  
1550' FSL & 860' FEL;  
Chaves County, New Mexico NMPM

An onsite was conducted on the well location on September 30, 2008. Richard Hill, Environmental Protection Specialist, in conference with Mrs. Debbie Caffall, Yates Petroleum Corporation, Regulatory Agent, determined that additional deficiencies were discovered during the onsite: Part III.D.7 & E.2 of Oil and Gas Onshore Order No. 1 and found that:

During the onsite Debbie Caffall, Regulatory Agent for Yates Petroleum Corporation pointed out that the original well location was located in very close proximity to an area with over 30 % slopes and Mrs. Debbie Caffall had taken the initiative of moving the well pad out of the 30% slope areas prior to the onsite. The Application to Drill (APD) showing the change of the access road length and the new well pad location should be made by Yates Petroleum Corporation to coincide with the new changes. Yates shall submit a road map (1:24,000) designating the new road route from the dedicated road to the well pad and update the site diagram.

This office must comply with the National Environmental Policy Act and analyze how the proposed action(s) will impact archaeological resources. An Archaeological Cultural Survey has not been received. BLM cannot complete the analysis of impacts to resources in compliance with the National Environmental Policy Act, until an Archaeological Cultural Survey has been received and processed.

Yates Petroleum Corporation is hereby notified that additional information is necessary to complete the processing of your APD. Yates Petroleum Corporation has 2 years from the date of this notice to supply the additional information as requested. If BLM does not receive the information within the 2 years timeline, the BLM will deny the application.

If you have any questions, please contact Richard Hill, Environmental Protection Specialist, at (575) 627-0247.

Sincerely,

*/s/ Angel Mayes*

Angel Mayes,  
Assistant Field Manager,  
Lands and Mineral

**APD PROCESSING TRACKING SLIP - Well Name Location Lease Number**

	<b>Well Name =</b> #1 KILAUEA BMZ FEDERAL COM		
	<b>Lease Number =</b> NM-120348		
	<b>location =</b> T. 12 S., R. 27 E., Sec. 35		
Date	Process Description	Team Member	Task Complete Check Mark
10/7/08	APD Received	la	
10/7/08	Land Law Examiner Review/Login file setup etc	la	
10/7/08	Land Law Examiner provides copy of maps to GIS	la	
10/7/08	APD Maps to GIS	la	
10/7/08	Land Law Examiner provides LR2K serial Reg page for oil and gas lease - review expiration date if less then 60 days provide information to manager	la	
9/17/08	NOS Previous to APD Yes Date of NOS	la	
	NOS On-site Date		
10/7/08	Management Receives APD	la	
	Manager assigns APD for processing		
10/15/08	APD reviewed for Administrative Deficiencies	R. Bell	✓
N/A	ROW needed for project - The ROW request will initially go to Scott - when application arrives I will assign the RS to process		
10/7/08	APD Administrative Deficiencies letter sent to operator	RH	✓
11/7/08	Deficiencies Due	RH	✓
10/15/08	Deficiencies Received	RH	✓
10/15/08	APD Administrative Deficiencies Complete - BIGINS 30 days processing time for APD	RH	✓
10/15/08	NEPA Begins	RH	✓
	Has the Arch Survey been Received for Project Yes - Continue with NEPA NO Next step		
N/A	Additional special reports necessary prepare request to operator	RH	✓
10/7/08	letter prepared requesting Arch Survey and/or other special reports	RH	✓
	arch survey and/or other special reports received Restart APD 30day clock		
	anticipated 30 day APD completion		

OPERATOR YATES PETROLEUM CORPORATION

WELL NAME #1 KILAUEA BMZ FEDERAL COM

LOCATION 1550' F S L & 860' F E L, SEC. 35 T. 12 S., R. 27 E.

LEASE NO. NM-120348 PROD NON-PROD ☒ 10-Year EFF DATE 08-01-2008  
NMB0000434

BOND COVERAGE INDIVIDUAL STATEWIDE            NATIONWIDE X

ACREAGE DEDICATED TO WELL E & Sec 35 320.00

COM AGR REQUIRED Y ☒ N ORTHODOX LOCATION Y ☒ N

NOS REC. 9/17/08 APD REC. 10/7/08 10-DAY LTR SENT           

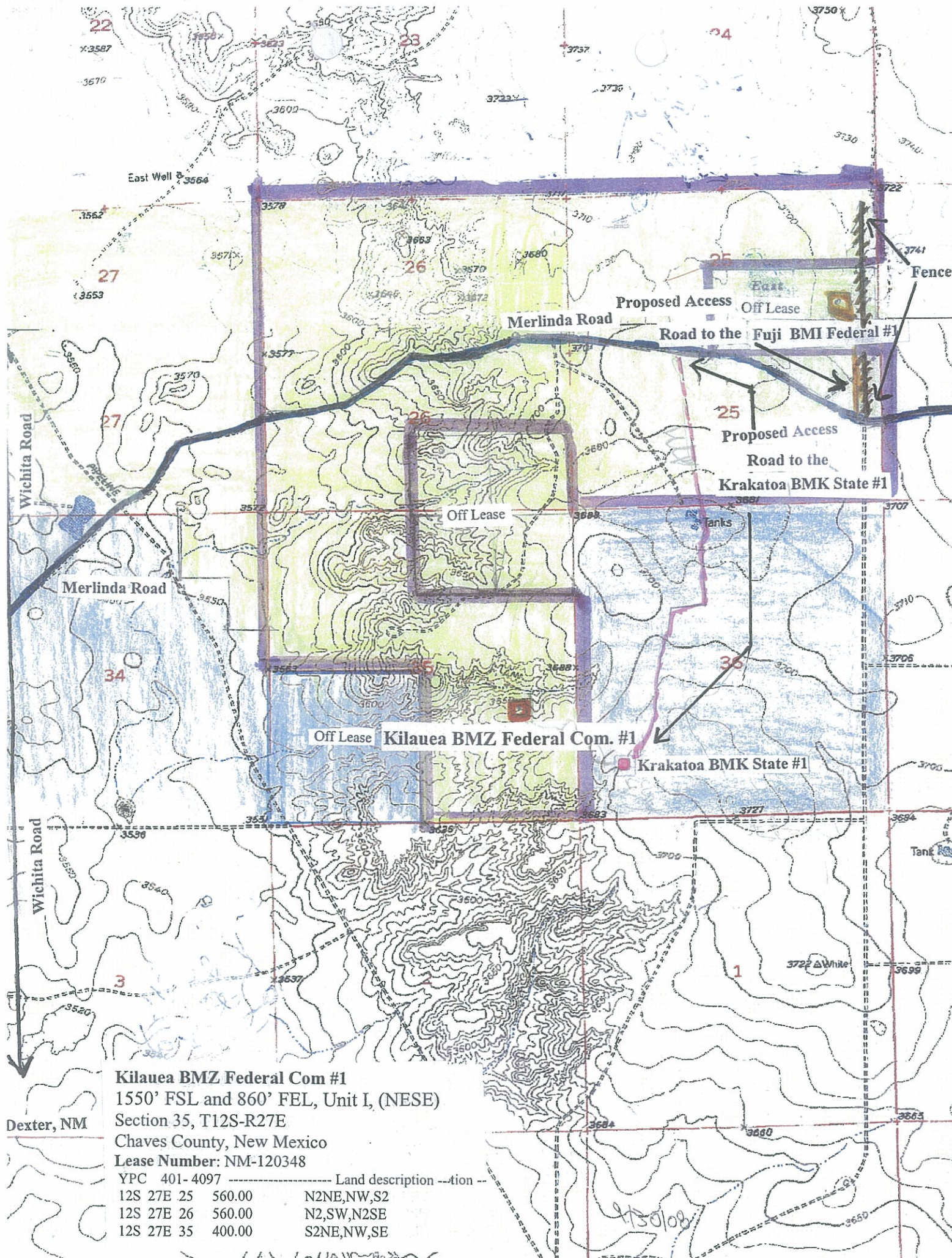
DEFICIENCIES NOTED            (DATE CORR.)

IS OPERATOR A LESSEE OR OPERATING RIGHTS OWNER ? YES X NO           

TECHNICAL CHECKLIST

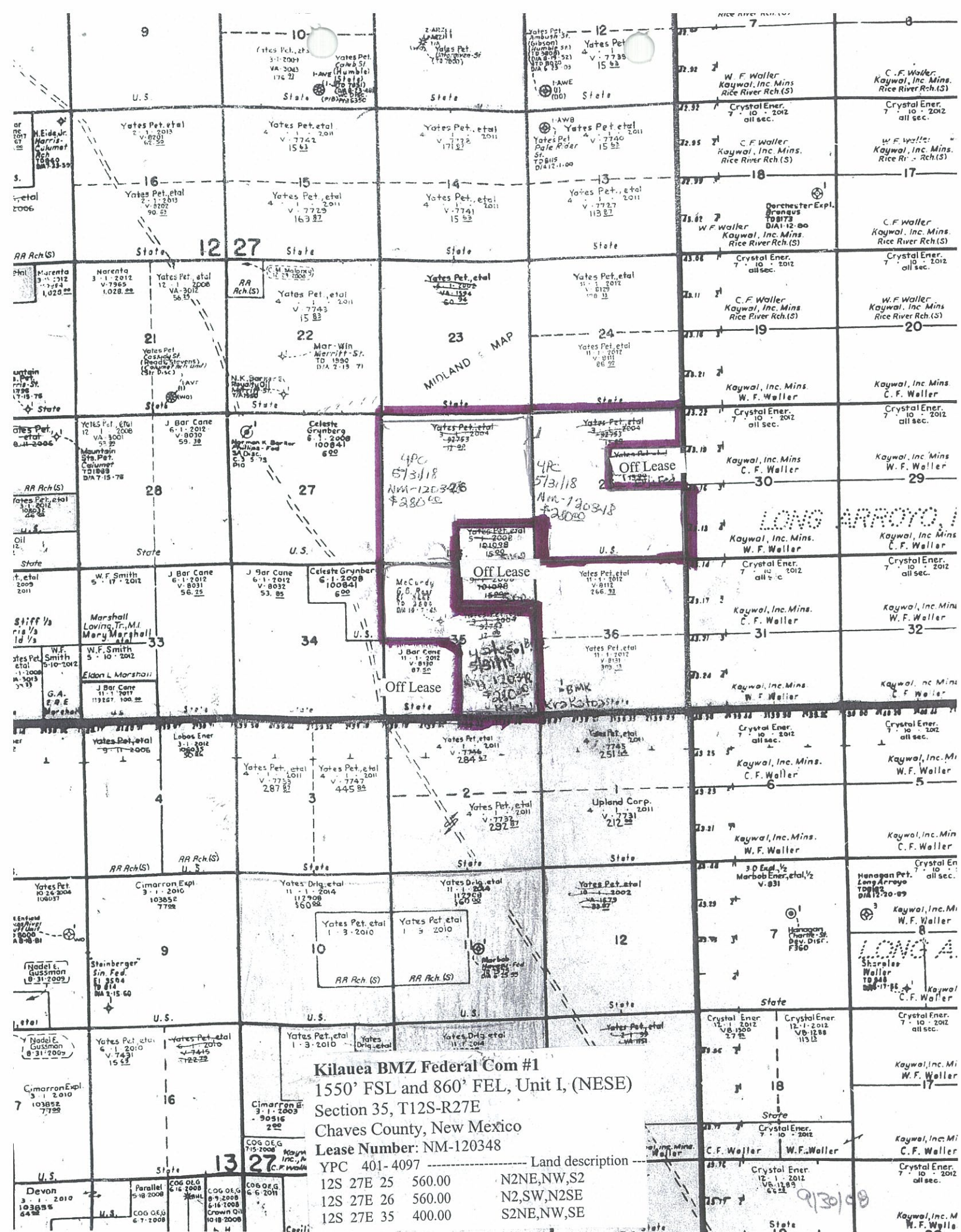
COMMENTS

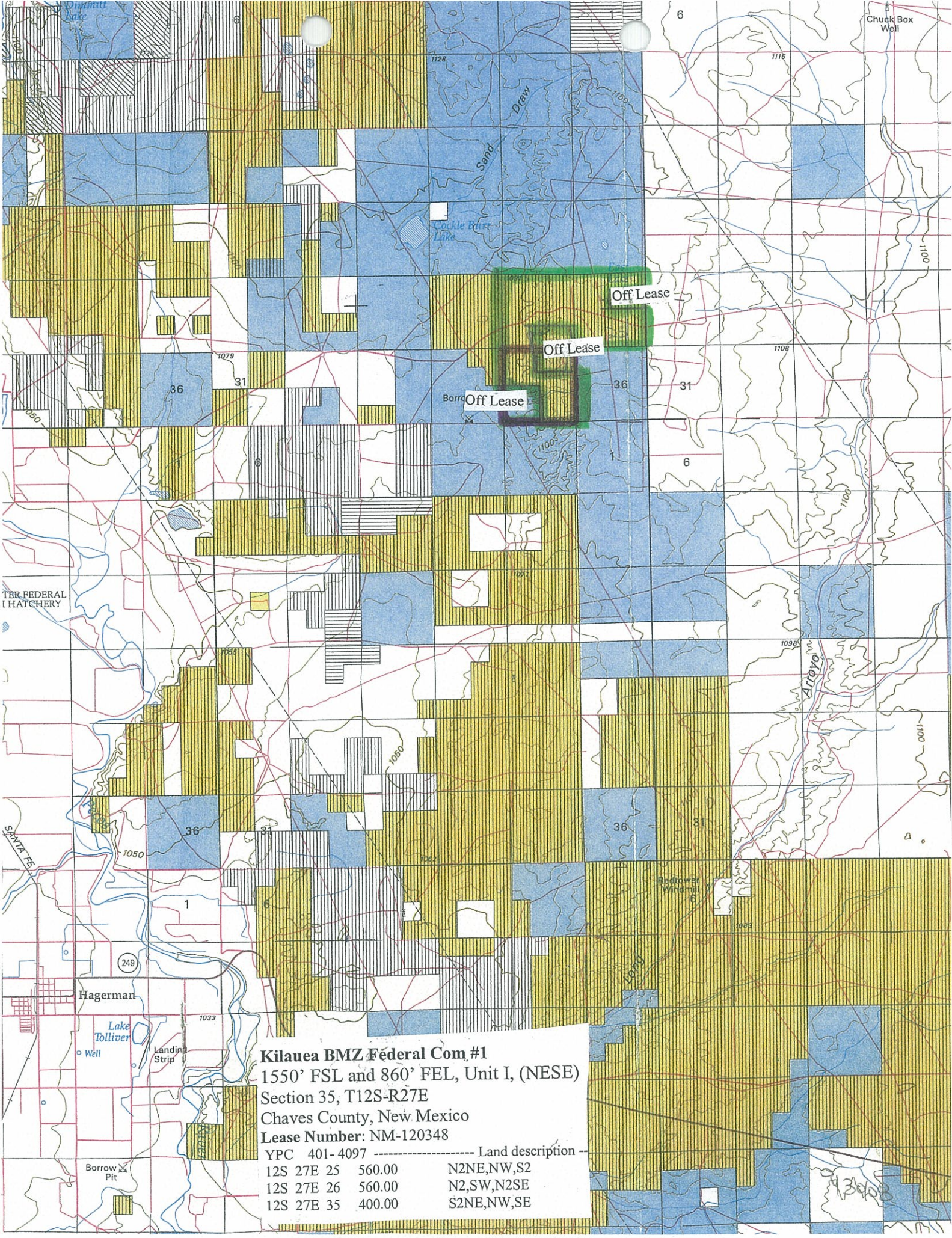
1. ☒ PLAT Engineering O.K.: 10-10-2008: R.A.G.
2. ☒ ELEVATION
3. ☒ SURFACE GEOLOGY
4. ☒ GEOLOGIC TOP
5. ☒ PROPOSED DEPTH
6. ☒ TARGETED FORMATION
7. ☒ ANTICIPATED WATER-OIL GAS, ETC
8. ☒ CASING/CEMENT PROGRAM
9. ☒ WELL CONTROL PROG (BOP, ETC)
10. ☒ MUD PROGRAM
11. ☒ TEST-LOG-CORE, ETC PROGRAMS
12. ☒ H2S OR OTHER HAZARDS
13. ☒ PET WITNESS WATER BASIN OR OTHER
14. ☒ OTHER



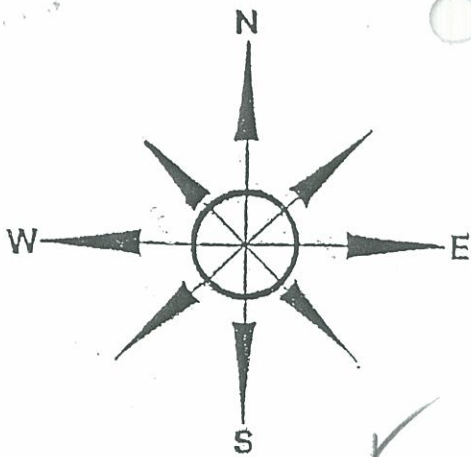
**Kilauea BMZ Federal Com #1**  
1550' FSL and 860' FEL, Unit I, (NESE)  
Section 35, T12S-R27E  
Chaves County, New Mexico  
Lease Number: NM-120348

YPC	401-4097	Land description	ation
12S 27E 25	560.00	N2NE,NW,S2	
12S 27E 26	560.00	N2,SW,N2SE	
12S 27E 35	400.00	S2NE,NW,SE	





**Kilauea BMZ Federal Com #1**  
1550' FSL and 860' FEL, Unit I, (NESE)  
Section 35, T12S-R27E  
Chaves County, New Mexico  
Lease Number: NM-120348  
YPC 401-4097 ----- Land description -----  
12S 27E 25 560.00 N2NE,NW,S2  
12S 27E 26 560.00 N2,SW,N2SE  
12S 27E 35 400.00 S2NE,NW,SE



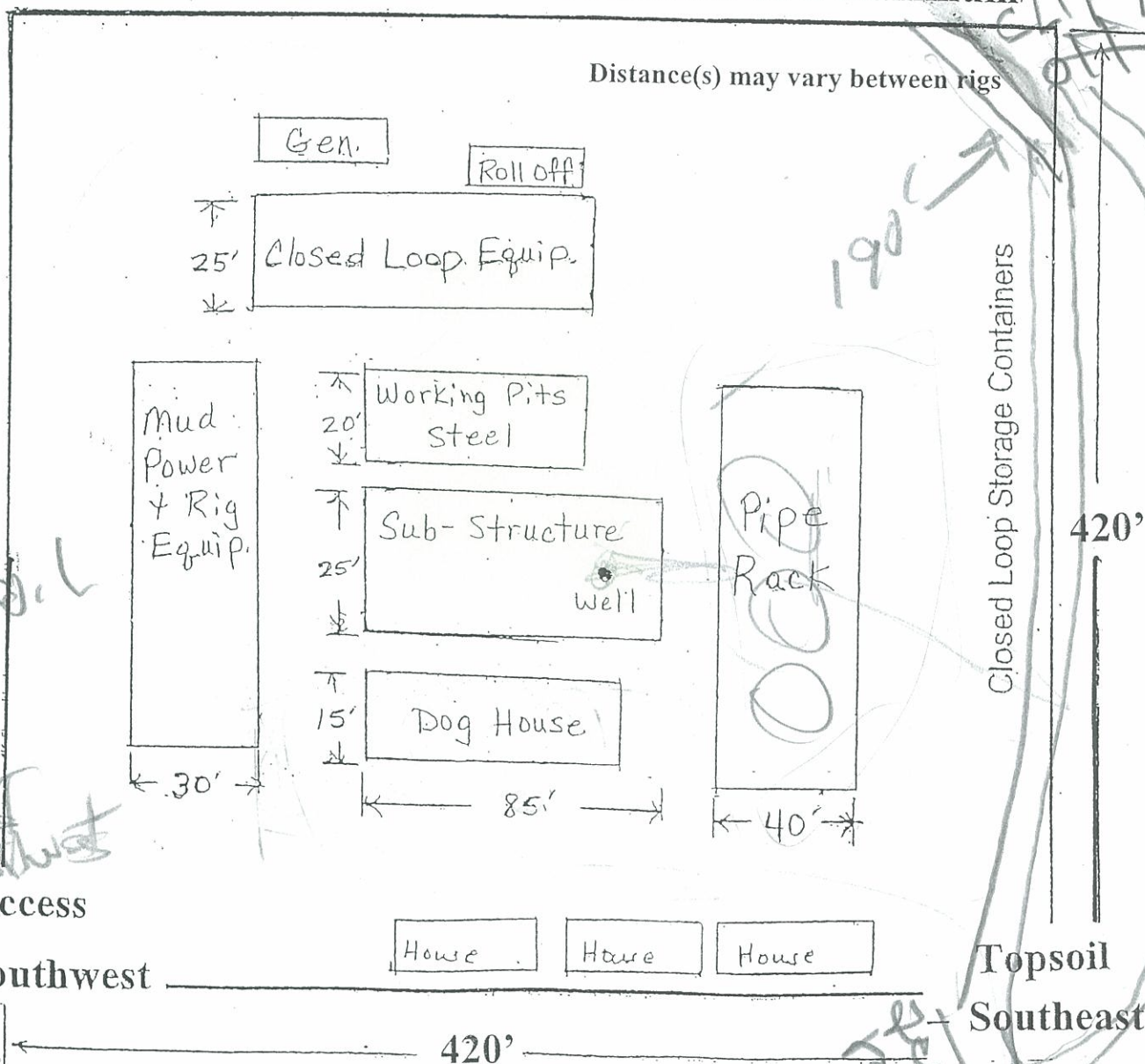
Yates Petroleum Corporation  
Location Layout for Permian Basin  
Up to 12,000'

PB - L1

Closed Loop Design Plan North

Not - To - Scale

The 420' x 420' dimension should be a maximum.

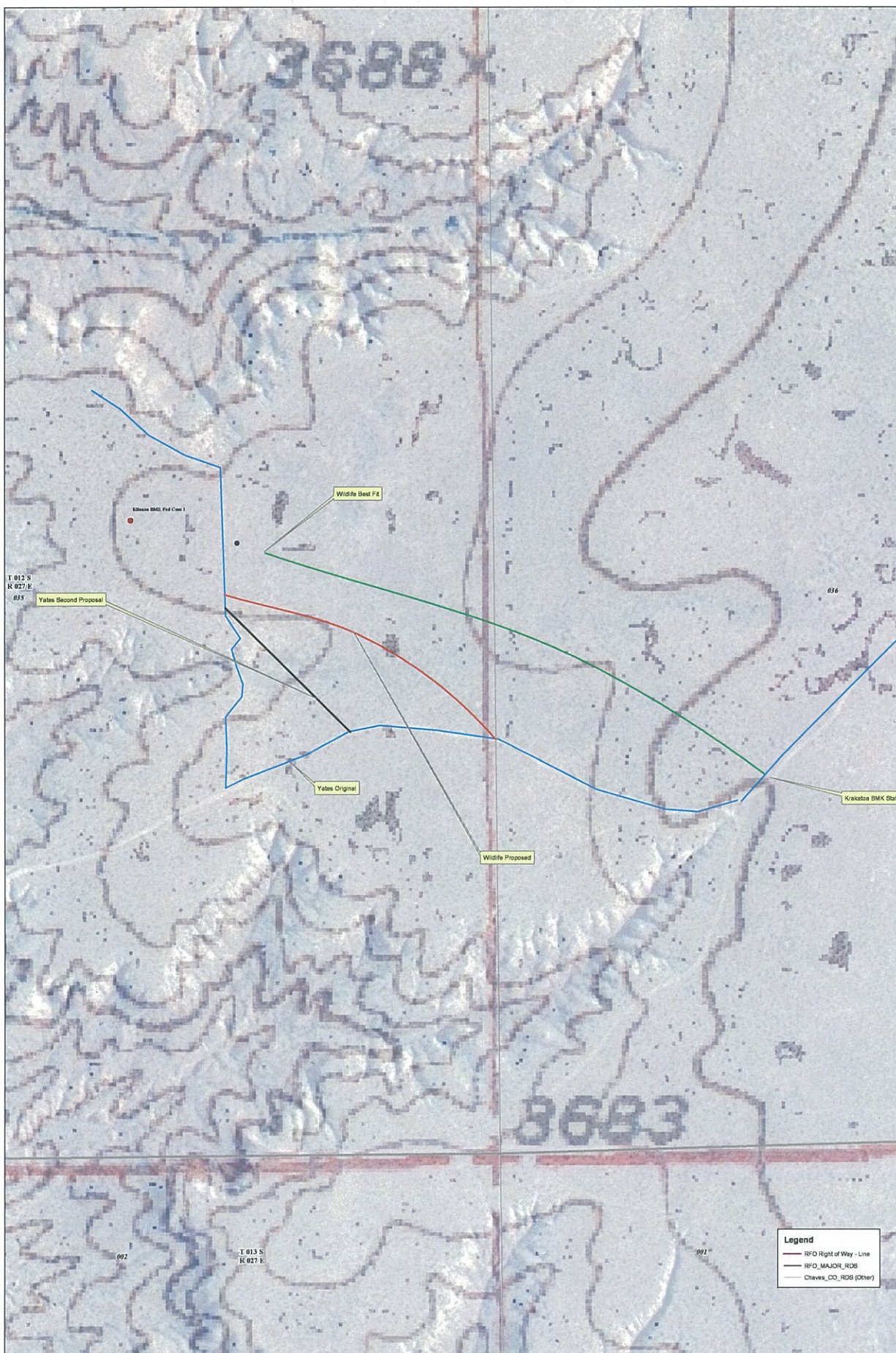


Kilauea BMZ Federal Com #1  
1550' FSL and 860' FEL, Unit I, (NESE)  
Section 35, T12S-R27E  
Chaves County, New Mexico

9/30/08



# Kilauea BMZ Fed Com #1 First Recommend Moving At Least 300 Feet East



No warranty is made by the Bureau of Land Management as to the accuracy, reliability, or completeness of these data and their use or application with other data. Original data was compiled from various sources. Spatial information may not meet National Map Accuracy Standards. This information may be updated without notification.



Brian A  
Novosak/RFO/NM/BLM/DOI  
09/29/2008 09:31 AM

To Michael McGee/RFO/NM/BLM/DOI@BLM, John  
Simitz/RFO/NM/BLM/DOI@BLM, AI  
Collar/RFO/NM/BLM/DOI@BLM, Jerry

cc

bcc

Subject Short Notice Onsite

Richard's email is down, but he wanted me to let you know that the Onsite for the Kalauea BMZ Fed Com #1 is scheduled for 9:30am on 09/30/2008. If you recall this is the well that may be within the 30% slope area and inside a draw. Hydro is recommended to attend.

Thanks

---

**Brian A. Novosak**

Natural Resource Specialist  
Bureau of Land Management  
Roswell Field Office  
2909 W. Second Street  
Roswell, New Mexico 88201

(575) 627-0284 Office

(575) 627-0276 Fax

[Brian\\_Novosak@nm.blm.gov](mailto:Brian_Novosak@nm.blm.gov)

**United States Department of the Interior  
Bureau of Land Management**ROSWELL FIELD OFFICE  
2909 W. SECOND STREET  
ROSWELL, NM 88201 -2019  
Phone: (575) 627-0272

Receipt

No: 1799329

<b>Transaction #:</b> 1857617	
<b>Date of Transaction:</b> 10/07/2008	
<b>CUSTOMER:</b>	YATES PETROLEUM CORPORATION 105 S FOURTH ST ARTESIA, NM 88210

LINE #	QTY	DESCRIPTION	REMARKS	UNIT PRICE	TOTAL
1	1.00	OIL & GAS / APPLICATION FOR PERMIT TO DRILL (APD) / APD FEE (1312)	KILAUEA BMZ FEDERAL COM #1	4000.00	4000.00
<b>TOTAL:</b>				<b>\$4,000.00</b>	

PAYMENT INFORMATION				
1	AMOUNT:	\$4,000.00	POSTMARKED:	N/A
	TYPE:	CHECK	RECEIVED:	10/07/2008
	CHECK NO:	155877		
	NAME:	YATES PETROLEUM CORPORATION 105 S FOURTH ST ARTESIA NM 88210		

REMARKS

This receipt was generated by the automated BLM Collections and Billing System and is a paper representation of a portion of the official electronic record contained therein.

THIS DOCUMENT CONTAINS A TRUE WATERMARK - HOLD AT LIGHT TO VIEW

No. 155877

First National Bank  
ARTESIA, NEW MEXICO

95-43  
1122



YATES BUILDING • ARTESIA, N.M. 88210

OCT 06, 2008

PAY\*\*\*\*\*4000\*DOLLARS\*AND\*00\*CENTS

**COPY**

\$ \*\*\*\*\*4,000.00

AMOUNT

134200 BUREAU OF LAND MANAGEMENT -  
TO THE ROSWELL  
ORDER 2909 WEST SECOND STREET  
OF ROSWELL, NM 88201-2019

*[Signature]*  
Dennis G. Sweeney

⑈ 155877 ⑈ 112200439⑈

⑈ 694,088.10 ⑈

DETACH BEFORE DEPOSITING CHECK

YATES PETROLEUM CORPORATION  
105 SOUTH 4TH STREET ARTESIA, N.M. 88210

DLC/MS

RECORDING/FILING FEES  
FILING FEE FOR APPLICATION FOR PERMIT TO DRILL  
KILAUEA BMZ FEDERAL COM #1  
SECTION 35, T12S-R27E  
CHAVES COUNTY, NEW MEXICO

\$4,000.00

No. 155877

RECEIVED

2008 OCT -7 AM 10:11

BUREAU OF LAND MGMT  
ROSWELL OFFICE

MARTIN YATES, III  
1912-1985

FRANK W. YATES  
1936-1986



105 SOUTH FOURTH STREET  
ARTESIA, NEW MEXICO 88210-2118  
TELEPHONE (575) 748-1471

S.P. YATES  
CHAIRMAN EMERITUS  
JOHN A. YATES  
CHAIRMAN OF THE BOARD  
FRANK YATES, JR.  
PRESIDENT  
PEYTON YATES  
DIRECTOR  
JOHN A. YATES, JR.  
DIRECTOR

As per BLM instructions, Yates Petroleum Corporation is tendering the \$4,000.00 APD Processing Fee for the Kilauea BMZ Federal Com #1, APD date submitted: October 6, 2008, Section 35, Township 12 South, Range 27 East, Chaves County, New Mexico.

Please be advised we are tendering this fee under protest as we believe it contradicts language in the Energy Policy Act of 2005 signed by President Bush.



ENTERED IN  
AFMSS

ROSWELL FIELD OFFICE  
COPY

NOTICE OF STAKING

(Not to be used in place of  
Application for Permit to Drill Form 3160-3)

1. Oil Well ☐ Gas Well ☒ Other

2. Name of Operator

Yates Petroleum Corporation

3. Address of Operator or Agent

105 South Fourth Street, Artesia, New Mexico 88210

4. Surface Location of Well

(Governmental 1/4 or 1/4 1/4)

1880' FSL and 980' FEL, Unit I (NESE)

Attach: Topographical or other acceptable map  
showing location, access road, and lease boundaries.

15. Formation Objective(s)

Siluro-Devonian

16. Estimated Well Depth

7850'

5. Lease Number

NM-120348

6. If Indian, Allottee or Tribe Name

7. Unit Agreement Name

8. Farm or Lease Name

Kilauea BMZ Federal Com.

9. Well No.

1

10. Field or Wildcat Name

Siluro-Devonian

11. Sec., T., R., M., or

Blk. and Survey or Area

Section 35, T12S-R27E

12. County or Parish

Chaves

13. State

NM

16. To be Completed by Operator Prior to Onsite

- a. Location must be staked
- b. Access road flagged
- c. Sketch and/or map of location, showing road, pad dimensions, reserve pit, cuts, and fills  
(To be provided at onsite)

17. To be Considered by Operators Prior to Onsite

- a. H<sub>2</sub>S Potential
- b. Private Surface Ownership
- c. Cultural Resources (Archaeology)
- d. Federal Right of Way

18. Additional Information - Closed Loop System - 420' X 420' Location Layout attached

Surface Ownership: Federal-Administered by: Bureau of Land Management

Roswell Field Office

2909 West Second

Roswell, NM 88201

Phone: (575) 627-0276 Fax (575) 627-0276

#65069 Calumet Ranch, allottee is Billy G. Hill c/o Conejo Cattle Company Inc.,

P.O. Drawer 280, 1184 Merlinda Rd., Dexter, NM 88230;

Minerals: NM-120348 Federal Permitting: Bureau of Land Management - Roswell Field Office

Topo, Lease Map, Color Quad attached

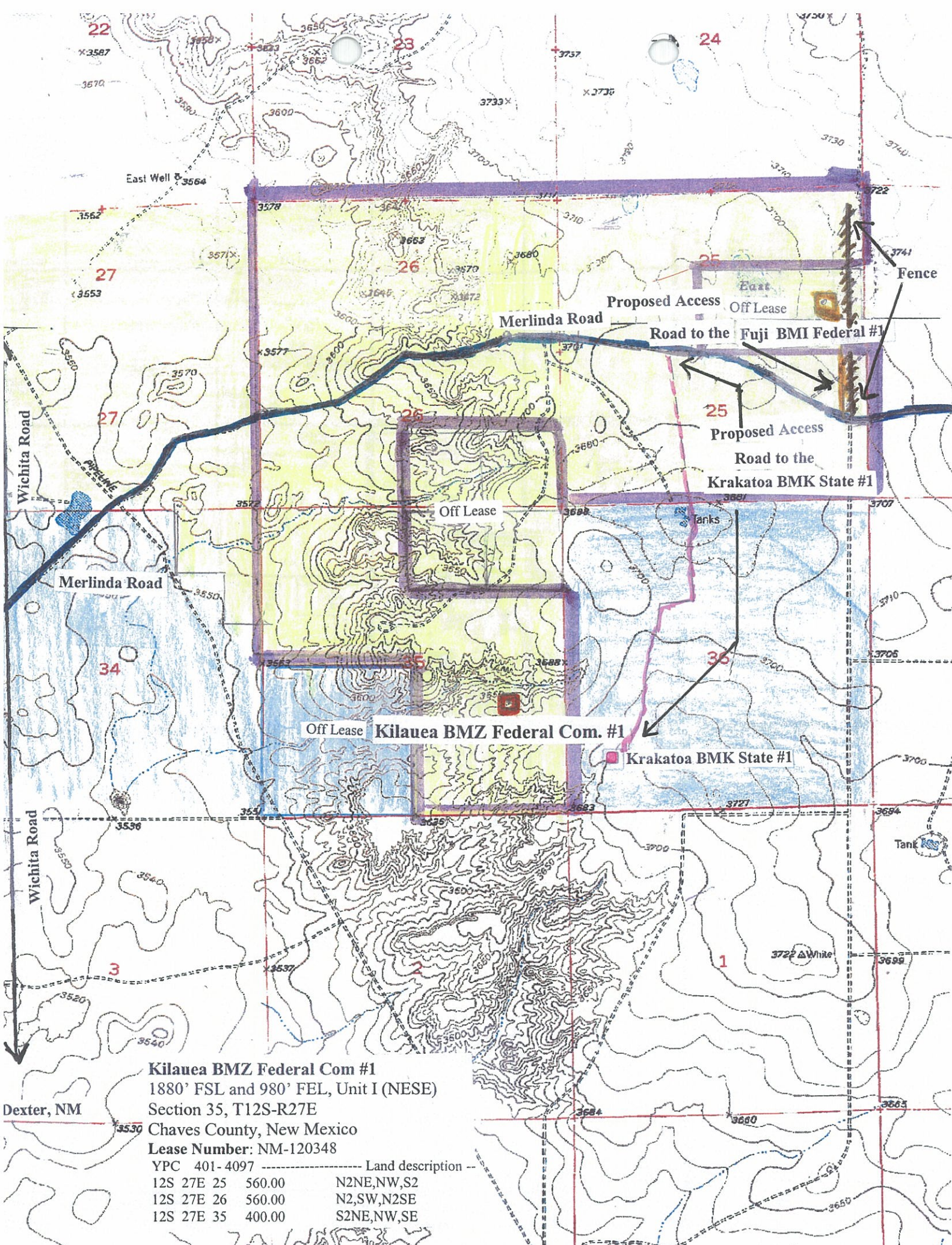
14. Signed

Debbie L. Caffall  
Debbie L. Caffall

Regulatory Agent

Date 9/16/2008



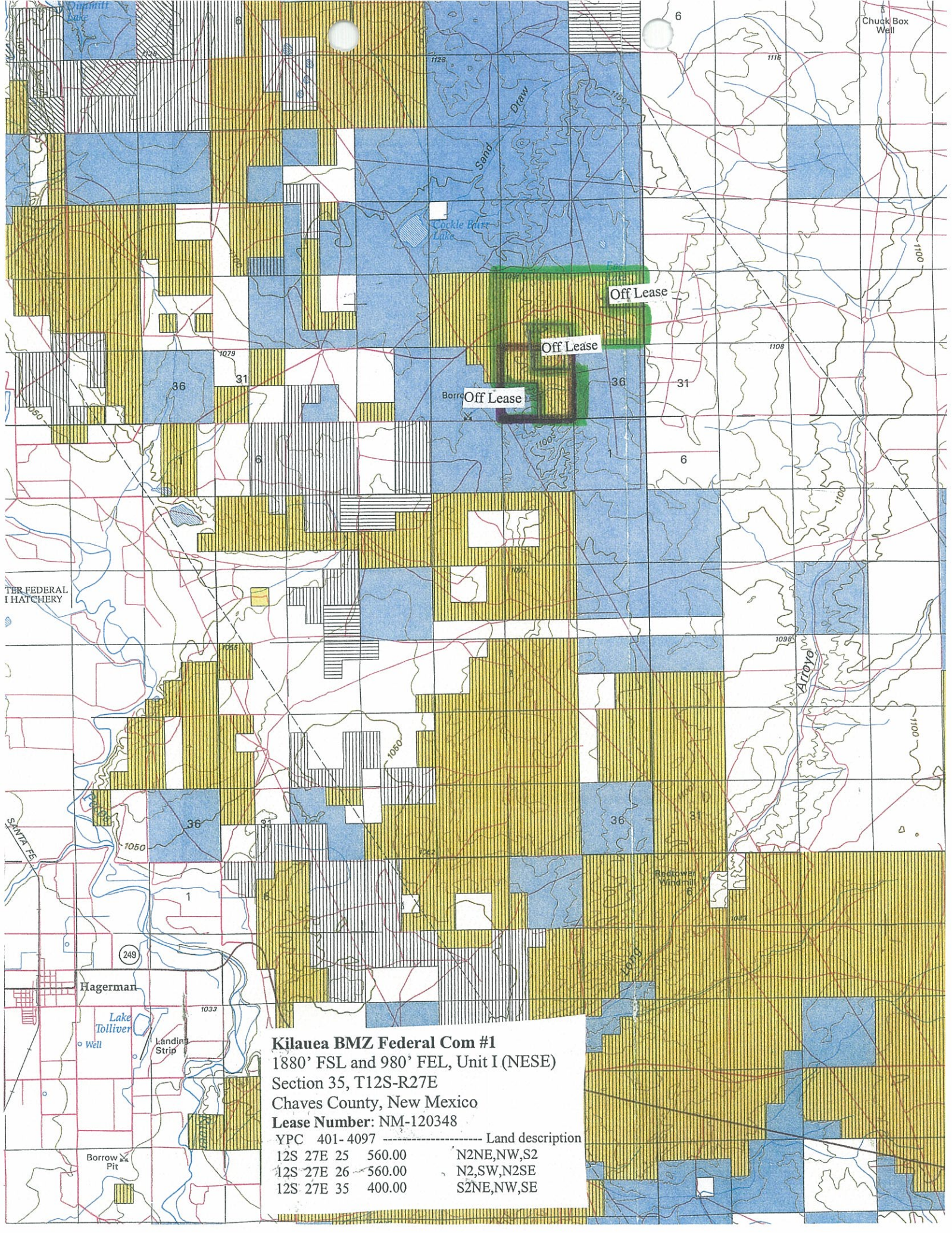


**Kilauea BMZ Federal Com #1**  
1880' FSL and 980' FEL, Unit I (NESE)  
Section 35, T12S-R27E  
Chaves County, New Mexico

**Lease Number:** NM-120348

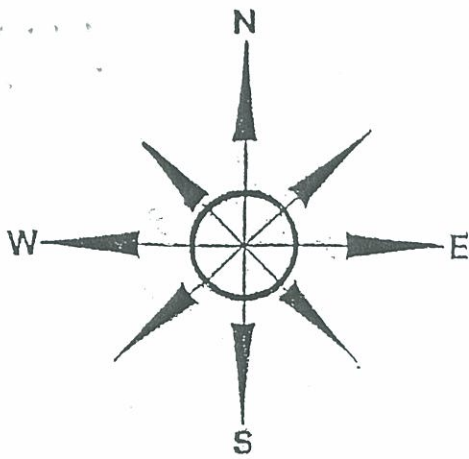
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Dexter, NM



**Kilauea BMZ Federal Com #1**  
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Yates Petroleum Corporation  
Location Layout for Permian Basin  
Up to 12,000'

PB - L1

Closed Loop Design Plan North

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